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March 17, 2005

Mr. Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

      Re: Est. Of A Universal Service Fund In Order To Comply W/Act 354 Which
              Became Law On 5-29-96. (All Lecs Are Automatically A Party)
              Rebuttal: 7/10/00; Surrebuttal: 7/12/00
              PSC Docket No.: 1997-239-C

Dear Charles:

      Enclosed for filing please find the original and twenty-six (26) copies of the Prefiled Direct Testimony of Office of Regulatory Staff Witness Katie C. Morgan in the above referenced matter. Please date stamp the extra copy enclosed and return it to me via our courier.

      Also, we have served same on all parties of record and enclose a Certificate of Service to that effect.

      Please let me know if you have any questions.

                          Sincerely,

                          Wendy B. Cartledge

                          Wendy B. Cartledge

WBC/cc
Enclosures
cc: All parties of record

BEFORE

THE PUBLIC SERVICE COMMISSION

OF SOUTH CAROLINA

DOCKET NO. 1997-239-C

IN RE: Est of a Universal Service Fund in)
      Order to Comply w/Act 354 which)
      Became a law on 5-29-96.)
      (All LECs are automatically a)   **CERTIFICATE OF SERVICE**
      Party) Rebuttal: 7/10/00;)
      Surrebuttal: 7/12/00)
      _____)

This is to certify that I, Cindy Clary, an employee with the Office of Regulatory Staff,

have this date served one (1) copy of the **Direct Testimony of Office of Regulatory Staff**

Witness Katie C. Morgan in the above-referenced matter to the person(s) named below by

causing said copy to be deposited in the United States Postal Service, first class postage prepaid

and affixed thereto, and addressed as shown below:

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Post Office Drawer 2426
Columbia, SC 29202-2426

Patrick W. Turner, Esquire
BellSouth Telecommunications, Inc.
Post Office Box 752
Columbia, SC 29202

Mr. Martin H. Bocock, Jr.
Director-External Affairs SC
SPRINT
1122 Lady Street, Suite 1050
Columbia, SC 29201

William R. Atkinson, Esquire
United Telephone and Sprint Communications
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Mailstop GAATLD0602
Atlanta, GA 30339

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Columbia, SC 29205

_____
Cindy Clary

March 23, 2005
Columbia, South Carolina

THE OFFICE OF REGULATORY STAFF

DIRECT TESTIMONY AND EXHIBITS

OF

KATIE C. MORGAN

DOCKET NO. 1997-239-C
UNIVERSAL SERVICE FUND

1   **TESTIMONY OF KATIE C. MORGAN**

2   **FOR**

3   **THE OFFICE OF REGULATORY STAFF**

4   **DOCKET NO. 97-239-C**

5   **IN RE: UNIVERSAL SERVICE FUND**

6   **Lifeline/Link-up**

7   **Q.   PLEASE   STATE   YOUR   NAME,   BUSINESS   ADDRESS   AND**

8   **OCCUPATION.**

9   A.   My name is Katie C. Morgan. My business address is 1441 Main Street, Suite 300,

10   Columbia, South Carolina 29201. I am employed by the State of South Carolina as

11   the Director of the Telecommunications, Transportation, Water and Wastewater

12   Division of the Office of Regulatory Staff.

13   **Q.   PLEASE   STATE   YOUR   EDUCATIONAL   BACKGROUND   AND**

14   **EXPERIENCE.**

15   A.   I am a 1986 graduate of the College of Charleston where I earned a B.S. in

16   Mathematics and a B.A. in Political Science. In 1988, I earned a Master of Public

17   Administration Degree from the University of South Carolina. Also in 1988, I

18   joined the staff of Governor Carroll Campbell's office where I served as a grants

19   administrator before taking the position of program manager in the Governor's

20   Energy Office in 1989. In 1992, I joined the newly created South Carolina State

21   Energy Office operating under the State Budget and Control Board. I was named

22   deputy director of the State Energy Office in 1994 with responsibilities for working

23   with investor owned gas and electric utilities on their integrated resource plans,

1   demand side management activities for state and local government, and forecasting

2   energy use for the state. In 1996, I moved into the position of Assistant Executive

3   Director of the Budget and Control Board (Board). In this position, I was

4   responsible for various legislative initiatives and partnership programs sponsored

5   by the Board.

6   In 1998, I was named Deputy Director for the Office of Information Resources

7   with responsibilities for the financial management of the state's telephone system,

8   data network, and computer systems. I was also charged with the financial

9   responsibility for the state's K-12 School Technology Initiative. This program

10   used state funding to leverage monies available through the federal Universal

11   Service Fund to provide data connectivity to the state's schools and libraries. In

12   2000, the duties of the Office of Information Resources merged with the State's

13   Information Technology Planning organization and Information Technology

14   Management Office. In this new Board agency, I was Deputy Chief Information

15   Officer with responsibility for strategic planning, finance, statewide IT

16   procurement, billing, accounting, human resources, legislative initiatives, customer

17   relations and marketing. In July 2004, I left my position with the State CIO to join

18   the Office of Regulatory Staff.

19 Q. **WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**

20   **PROCEEDING?**

21 A. The purpose of my testimony is to modify and supplement information provided to

22   the Public Service Commission of South Carolina by the Office of Regulatory Staff

23   in its December 15, 2004 letter concerning the Lifeline and Link up programs.

1   Q.   ARE YOUR FINDINGS CONTAINED IN THIS TESTIMONY AND

2   ACCOMPANYING EXHIBITS?

3   A.   Yes, my testimony and the attached exhibits detail my findings and

4   recommendations.

5   Q.   PLEASE EXPLAIN HOW YOU COMPILED INFORMATION FOR YOUR

6   TESTIMONY AND EXHIBITS.

7   A.   Since submission of the letter to the Commission in December 2004, I have had

8   additional conversations with utility representatives, staff members of the

9   Department of Social Services, the Department of Health and Human Services, the

10   Budget and Control Board's Office of Research and Statistical Services, and the

11   Council on Aging. I have also examined additional information concerning the

12   April 29, 2004 FCC order pertaining to the increase of the federal Lifeline program

13   to 135% of the Federal Poverty Guidelines. From these discussions and readings, I

14   have learned more about 1) the current eligibility intake requirements and

15   processes, 2) the current process used by the telephone companies to verify

16   continuing eligibility of Lifeline recipients, 3) the outreach efforts by the telephone

17   companies and social services agencies to inform potential clients of the

18   availability of Lifeline, and 4) the impact the modifications to the current Lifeline

19   process may have on the telephone companies providing Lifeline.

20   Q.   PLEASE DESCRIBE YOUR UNDERSTANDING OF THE CURRENT

21   ELIGIBILITY INTAKE AND VERIFICATION PROCESSES.

22   A.   My understanding of the current eligibility intake requirements and verification

23   process is based on a document provided by the South Carolina Telephone

1   Association entitled "New Lifeline Eligibility Verification Procedure." This

2   document is attached as exhibit KCM-1. (It should be noted that this document

3   refers to the Budget and Control Board's Office of Research and Statistics as

4   "ORS." This should not be confused with the Office of Regulatory Staff.) This

5   process was developed through a collaborative effort between DSS, DHHS, the

6   Office of Research and Statistics, and the various Incumbent Local Exchange

7   Carriers (ILECs). All of the South Carolina ILECs, other than Chesnee Telephone,

8   PBT, Verizon, and West Carolina Telephone, currently use this process.

9   The Lifeline Eligibility Verification process involves two steps: application and

10   on-going verification. The first step requires the customer to complete a Lifeline

11   Authorization Form and submit it to DSS or DHHS for certification. Certification

12   is based on eligibility for Food Stamps, Temporary Assistance for Needy Families

13   (TANF), or Medicaid. If the customer applies at the telephone company, he or she

14   must make an additional trip to the DSS/DHHS office for certification. Once

15   DSS/DHHS certifies that the customer is eligible for one or more of the support

16   programs, the agency submits the certified application to the telephone company

17   for processing.

18   The second step is the on-going verification process. This process involves the

19   participating companies submitting electronic files of Lifeline participants to the

20   Office of Research and Statistics for comparison to DSS and DHHS client files.

21   Using the Office of Research and Statistics is an efficient way for the companies to

22   validate their information while protecting the customers pursuant to HIPAA

23   privacy requirements. It is my understanding that as of January 2005, all

1   companies participating in the Lifeline Eligibility Verification Process are

2   submitting their data to the Office of Research and Statistics for validation.

3   Q.   **PLEASE DISCUSS YOUR FINDINGS CONCERNING ELIGIBILITY**

4   **REQUIREMENTS FOR LIFELINE AND LINK-UP.**

5   A.   In Order No. 87-1343 which created the Link-up Program, the Commission

6   established participation in certain subsistence programs as the eligibility criteria

7   for receiving Link-up benefits. Subsequently, the Commission adopted these same

8   programs as eligibility criteria for the Lifeline program. These programs include

9   TANF, Food Stamps and Medicaid. Each of these programs has different, but

10   narrowly defined, income requirements as specified in the FCC rules and

11   regulations, 47 C.F.R. 54.409. (See Exhibit KCM-2). Eligibility for Food Stamps

12   is 130% of the Federal Poverty Guidelines (FPG), and eligibility for TANF is 50%

13   of the FPG. Medicaid eligibility is based on the specific program being provided.

14   For example, pregnant women and children up to one year of age may be eligible

15   for benefits if their income is up to 185% of the FPG, children may qualify if their

16   family income is up to 150% of the FPG, and seniors may qualify for limited

17   benefits at 133% of FPG. Most other Medicaid programs are provided if the

18   applicant's income is at or below 100% of the FPG. There are no additional

19   independent income eligibility criteria for Lifeline and Link-up established by the

20   Commission.

21   The federal government has established the following as eligibility criteria for those

22   states not having a state-approved Lifeline program. The FCC regulations state,

23   "To qualify to receive Lifeline service in a state that does not mandate state Lifeline

1 support, a consumer's income... must be at or below 135% of the Federal Poverty

2 Guidelines or a consumer must participate in one of the following federal

3 assistance programs: Medicaid; Food Stamps; Supplemental Security Income;

4 Federal Public Housing Assistance (Section 8); Low-Income Home Energy

5 Assistance Program; National School Lunch Program's free lunch program; or

6 Temporary Assistance for Needy Families." In addition, the FCC's April 29, 2004

7 order issued pursuant to WC Docket No. 03-109, encouraged ALL states, including

8 those states with their own eligibility criteria, to adopt the income based criteria of

9 135% of the Federal Poverty level.

10 Q. **HOW DOES THE DIFFERENCE BETWEEN THE SOUTH CAROLINA**

11 **LIFELINE ELIGIBILITY CRITERIA AND THE FEDERAL LIFELINE**

12 **ELIGIBILITY CRITERIA RELATE TO THE IMPLEMENTATION OF**

13 **THE CONSENT ORDER BETWEEN BELLSOUTH AND THE**

14 **CONSUMER ADVOCATE?**

15 A. In the consent order, BellSouth agreed to "provide Lifeline credits to its end user

16 customers who are at or below 125% of the federal poverty level if an agency of the

17 State of South Carolina accepts applications from BellSouth end user customers

18 seeking Lifeline credits under this criteria and confirms to BellSouth that such end

19 user customers are actually at or below 125% of the federal poverty level." Order

20 Recommending Acceptance of Agreement, Appendix A at 3, ¶ 5, Consumer

21 Advocate v. South Carolina Public Service Commission, Case No. 00-CP-40-2935

22 (5th Cir. S.C., May 19, 2004).

1   Since South Carolina determines eligibility strictly by participation in an approved

2   subsistence program, there is no independent process available for verification that

3   customers are at or below a certain income level. Therefore, a process must be

4   established to make such a determination in order for BellSouth to comply with this

5   order. In its letter to the Commission dated December 15, 2004, ORS proposed to

6   serve in this role.

7 Q.   **IN THE DECEMBER 15, 2004 LETTER, ORS NOT ONLY PROPOSED TO**

8   **SERVE IN THE ROLE OF INTAKE COORDINATOR, BUT ALSO**

9   **SUGGESTED THAT AN OUTREACH COORDINATOR MAY BE**

10   **APPROPRIATE. PLEASE EXPLAIN.**

11 A.   After discussions with DSS, DHHS, and the Lieutenant Governor's Office on

12   Aging, I have determined that there is very little outreach effort for the Lifeline

13   program in the local county offices. It is certainly not that the agencies lack the

14   desire to reach out to their clients about this program; it is simply a matter of staff

15   time and knowledge. Recent budget cuts have impacted these agencies

16   tremendously. Reductions in force and staff turnover have resulted in caseworkers

17   who are unfamiliar with the program or who may not take the opportunity to

18   inform their clients about the program.

19   There was also concern expressed by the agencies that some eligible consumers

20   may not be participating in the program because they have not filed for the

21   approved subsistence programs. This is especially true for our elderly population

22   who may participate in Medicare but fail to apply for Medicaid benefits for which

1   they are eligible. This may be a growing problem since South Carolina ranks ninth

2   in the United States for increases in its senior population.

3   Q.   **IN ORS' DECEMBER 15, 2004 LETTER, ORS ALSO DISCUSSED THE**

4   **POTENTIAL FOR INCREASED PARTICIPATION IN THE LIFELINE**

5   **PROGRAM. DO YOU HAVE ADDITIONAL INSIGHT INTO THE**

6   **POTENTIAL EXPANSION OF THE ELIGIBILITY REQUIREMENTS OR**

7   **OF AN OUTREACH PROGRAM?**

8   A.   Yes. In its proceedings on the federal Lifeline program, the FCC conducted a study

9   on what impact changing the eligibility requirement from 100% of FPG to 135%

10   FPG would have on the number of participants in the program. The FCC's findings

11   are listed as Exhibit KCM-3. In this report, the FCC considered the number of

12   households in South Carolina that would be eligible for Lifeline if South Carolina

13   used an income based criteria of 100% of FPG. The FCC determined that 249,100

14   would be eligible (based on 2000 data); however, only 8% of those households

15   actually participated in the program. Other states had varying levels of

16   participation. Of households at 100% of poverty level, an average of 37.5%

17   participated in the program. Certainly, South Carolina should strive to meet the

18   national average of participation in the Lifeline program.

19   Q.   **WHAT IMPACT WOULD AN INCREASED PARTICIPATION IN THE**

20   **LIFELINE PROGRAM HAVE ON THE ILECs?**

21   A.   One of the concerns expressed by the carriers is the delay they experience in

22   receiving reimbursement from the state USF for Lifeline participants. Because the

23   State USF guidelines only require an annual true-up, it may be up to a year before

1   the companies receive reimbursement from the program expansion. The

2   Commission may want to consider modifying the existing USF guidelines to enable

3   a true-up for Lifeline to occur more frequently than once per year.

4 Q. **BASED ON THE ADDITIONAL INFORMATION YOU HAVE**

5   **GATHERED, DO YOU HAVE ANY CHANGES TO YOUR ORIGINAL**

6   **PROPOSAL TO THE COMMISSION?**

7 A. Yes. Since the original submission, ORS has learned of the computerized process

8   used for verification of continuing eligibility that was coordinated between the

9   companies, DSS, DHHS, and the Office of Research and Statistics. Because this

10   program is in place, we would remove the request for $15,000 for computer

11   programming. In addition, we would reduce the amount of contractual services

12   listed under the Outreach Coordinator from $70,000 to $35,000. Thus, we would

13   revise the original request from $263,543 to $203,543.

14   If the Commission decides that an intake coordinator role is one that ORS should

15   assume, we will work with BellSouth in devising an income verification program

16   that would be acceptable to all parties. Hopefully we can build upon the

17   collaborative process already established by the companies and the state agencies

18   currently involved in this process.

19   Likewise, if the Commission decides that Lifeline outreach is a role for ORS, we

20   will work with both the companies and the social service agencies to expand the

21   awareness of the Lifeline program in South Carolina.

22 Q. **DOES THIS CONCLUDE YOUR TESTIMONY?**

23 A. Yes, it does.

THE OFFICE OF REGULATORY STAFF
1441 Main Street, Suite 300, Columbia, SC 29201
Post Office Box 11263, Columbia, SC 29211

DIRECT EXHIBITS

OF

KATIE C. MORGAN

DOCKET NO. 1997-239-C
UNIVERSAL SERVICE FUND

New Lifeline Eligibility Verification Procedure
Effective January 1, 2004

New eligibility verification process for telephone customers applying for Lifeline Discounted Telephone Rate after January 1, 2004. Existing Lifeline customers are not affected.

<u>SC Medicaid</u> eligibility has been transferred to DHHS from DSS. <u>Food Stamp & TANF programs</u> continue at DSS.

I - Telcos are required to sign Memos of Understanding with DHHS.
(DSS Contracts are already on file. There may be some Telcos who don't have a contract with DSS, who will need to execute such.)

II - Telcos contact their local DSS & DHHS offices to arrange for completion of the authorization form. State agencies retain one copy and send duplicate to Telco after certification. Telco and state agencies must maintain records.

III – After January 1, 2004 Telcos send Lifeline Customer lists to ORS for verification.

Continued…

Lifeline Application Process

1) Customer completes Lifeline Authorization Form at either Telco or DSS or DHHS local offices.

- If Customer at Telco office –
  - Customer takes Authorization to local DSS or DHHS office for certification. (List of County Offices – attached)
    - Food Stamps/TANF - **DSS**.
    - Medicaid - **DHHS**.

- DSS & or DHHS certifies Authorization & transmits copy (Fax, Email, US Postal Svc.) to Telco.

  - DSS Clients eligible for Lifeline via
    - Food Stamps - eligibility is 130% FPG
    - Temporary Assistance for Needy Families TANF – 50%FPG

  - DHHS Clients eligible for Lifeline via
    - Medicaid – 150% FPG – adults W kids. 100% FPG – adults.

- If Customer at DSS/DHHS office –
  - Customer completes application, agency certifies, agency transmits copy of certified application to Telco.

V - Certified customer receives Lifeline rate as long as recipient of Food Stamps, TANF or Medicaid. Ongoing customer eligibility verified by DSS and or DHHS.

Ongoing Lifeline Verification

State Office of Research & Statistics maintains client database for both DSS & DHHS.

Previous data transmittal methods continue except for the changes, effective January 1, 2004, noted below.

Ongoing Verification Process

1) Telco prepares electronic file.
   - CD-Roms (preferred) or diskettes.
     (ORS can read 3490 cartridges but CDs are preferred.)

2) Telcos mail CDs to ORS at address below.

> For Lifeline, c/o Diana Tester
> Office of Research & Statistics
> 1919 Blanding Street
> Columbia, SC 29201

3) ORS compares Telco Lifeline Customer list with DSS & DHHS records. ORS Flags names of Food Stamp, TANF & Medicaid clients as eligible for Lifeline Rate to continue. Unflagged names are no longer eligible.

4) ORS sends Telco list to DHHS which mails CD back to Telco.

5) Telco notifies ineligible customers they will no longer receive Lifeline rate.

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Contacts

Administrative Issues

Patti Davis – DHHS
803-898-2610
davisp@dhhs.state.sc.us

Computer – Technical Issues

David Patterson – ORS
803-898-9940
dpatters@sc.gov

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Federal Communications Commission §54.409

tariffed (or otherwise generally available) residential rate for the services enumerated in §54.101(a)(1) through (a)(9), and charge Lifeline consumers the resulting amount.

(c) Lifeline support for providing toll limitation shall equal the eligible telecommunications carrier's incremental cost of providing either toll blocking or toll control, whichever is selected by the particular consumer.

[62 FR 32948, June 17, 1997, as amended at 63 FR 2128, Jan. 13, 1998; 65 FR 38689, June 21, 2000; 65 FR 47905, Aug. 4, 2000]

§ 54.405 Carrier obligation to offer Lifeline.

All eligible telecommunications carriers shall:

(a) Make available Lifeline service, as defined in §54.401, to qualifying low-income consumers, and

(b) Publicize the availability of Lifeline service in a manner reasonably designed to reach those likely to qualify for the service.

(c) Notify Lifeline subscribers of impending termination of Lifeline service if the carrier has a reasonable basis to believe that the subscriber no longer meets the Lifeline-qualifying criteria, as described in §54.409. Notification of impending termination shall be in the form of a letter separate from the subscriber's monthly bill. A carrier providing Lifeline service in a state that has dispute resolution procedures applicable to Lifeline termination, that requires, at a minimum, written notification of impending termination, must comply with the applicable state requirements.

(d) Allow subscribers 60 days following the date of the impending termination letter required in paragraph (c) of this section in which to demonstrate continued eligibility. Subscribers making such a demonstration must present proof of continued eligibility to the carrier consistent with applicable state or federal verification requirements, as described in §54.410(c). Carriers must terminate subscribers who fail to demonstrate continued eligibility within the 60-day time period. A carrier providing Lifeline service in a state that has dispute resolution procedures applicable to Lifeline termi-

nation must comply with the applicable state requirements.

[65 FR 47905, Aug. 4, 2000, as amended at 69 FR 34600, June 22, 2004]

EFFECTIVE DATE NOTE: At 69 FR 34600, June 22, 2004, §54.405, paragraphs (c) and (d) were added. These paragraphs contain information collection and recordkeeping requirements and will not become effective until approval has been given by the Office of Management and Budget.

§ 54.407 Reimbursement for offering Lifeline.

(a) Universal service support for providing Lifeline shall be provided directly to the eligible telecommunications carrier, based on the number of qualifying low-income consumers it serves, under administrative procedures determined by the Administrator.

(b) The eligible telecommunications carrier may receive universal service support reimbursement for each qualifying low-income consumer served. For each consumer receiving Lifeline service, the reimbursement amount shall equal the federal support amount, including the support amount described in §54.403(c). The eligible telecommunications carrier's universal service support reimbursement shall not exceed the carrier's standard, non-Lifeline rate.

(c) In order to receive universal service support reimbursement, the eligible telecommunications carrier must keep accurate records of the revenues it forgoes in providing Lifeline in conformity with §54.401. Such records shall be kept in the form directed by the Administrator and provided to the Administrator at intervals as directed by the Administrator or as provided in this Subpart.

§ 54.409 Consumer qualification for Lifeline.

(a) To qualify to receive Lifeline service in a state that mandates state Lifeline support, a consumer must meet the eligibility criteria established by the state commission for such support. The state commission shall establish narrowly targeted qualification criteria that are based solely on income or factors directly related to income. A state containing geographic

131

areas included in the definition of "reservation" and "near reservation," as defined in § 54.400(e), must ensure that its qualification criteria are reasonably designed to apply to low-income individuals living in such areas.

(b) To qualify to receive Lifeline service in a state that does not mandate state Lifeline support, a consumer's income, as defined in § 54.400(f), must be at or below 135% of the Federal Poverty Guidelines or a consumer must participate in one of the following federal assistance programs: Medicaid; Food Stamps; Supplemental Security Income; Federal Public Housing Assistance (Section 8); Low-Income Home Energy Assistance Program; National School Lunch Program's free lunch program; or Temporary Assistance for Needy Families.

(c) A consumer that lives on a reservation or near a reservation, but does not meet the qualifications for Lifeline specified in paragraphs (a) and (b) of this section, nonetheless shall be a "qualifying low-income consumer" as defined in § 54.400(a) and thus an "eligible resident of Tribal lands" as defined in § 54.400(e) and shall qualify to receive Tiers One, Two, and Four Lifeline service if the individual participates in one of the following federal assistance programs: Bureau of Indian Affairs general assistance; Tribally administered Temporary Assistance for Needy Families; Head Start (only those meeting its income qualifying standard); or National School Lunch Program's free lunch program. Such qualifying low-income consumer shall also qualify for Tier-Three Lifeline support, if the carrier offering the Lifeline service is not subject to the regulation of the state and provides carrier-matching funds, as described in § 54.403(a)(3). To receive Lifeline support under this paragraph for the eligible resident of Tribal lands, the eligible telecommunications carrier offering the Lifeline service to such consumer must obtain the consumer's signature on a document certifying under penalty of perjury that the consumer receives benefits from at least one of the programs mentioned in this paragraph or paragraph (b) of this section, and lives on or near a reservation, as defined in § 54.400(e). In addition to identifying in that document

the program or programs from which that consumer receives benefits, an eligible resident of Tribal lands also must agree to notify the carrier if that consumer ceases to participate in the program or programs. Such qualifying low-income consumer shall also qualify for Tier-Three Lifeline support, if the carrier offering the Lifeline service is not subject to the regulation of the state and provides carrier-matching funds, as described in § 54.403(a)(3).

(d) In a state that does not mandate state Lifeline support, each eligible telecommunications carrier providing Lifeline service to a qualifying low-income consumer pursuant to paragraphs (b) or (c) of this section must obtain that consumer's signature on a document certifying under penalty of perjury that:

(1) The consumer receives benefits from one of the programs listed in paragraphs (b) or (c) of this section, and identifying the program or programs from which that consumer receives benefits, or

(2) The consumer's household meets the income requirement of paragraph (b) of this section, and that the presented documentation of income, as described in §§ 54.400(f), 54.410(a)(ii), accurately represents the consumer's household income; and

(3) The consumer will notify the carrier if that consumer ceases to participate in the program or programs or if the consumer's income exceeds 135% of the Federal Poverty Guidelines.

[65 FR 47905, Aug. 4, 2000, as amended at 68 FR 41942, July 16, 2003; 69 FR 34600, June 22, 2004]

EFFECTIVE DATE NOTE: At 69 FR 34600, June 22, 2004, § 54.409 paragraph (d) was added. This paragraph contains information collection and recordkeeping requirements and will not become effective until approval has been given by the Office of Management and Budget.

§ 54.410 Certification and Verification of Consumer Qualification for Lifeline.

(a) *Certification of income.* Consumers qualifying under an income-based criterion must present documentation of their household income prior to enrollment in Lifeline.

Lifeline Staff Analysis

Quantifying the effects of adding an income criterion to the Lifeline eligibility criteria

A Study for the Federal-State Joint Board on Universal Service

Prepared by Craig Stroup
Industry Analysis & Technology Division
Wireline Competition Bureau

Table of Contents

Executive Summary
Lifeline Staff Analysis
April 2003

Introduction

The Federal-State Joint Board on Universal Service (Joint Board) recommends that the Federal Communications Commission (FCC) add a federal default income-based criterion of at least 1.35 times the Federal Poverty Guidelines — a 1.35 Poverty Level Criterion (PLC). This would allow many additional low-income citizens in those states that utilize the federal default criteria to take the Lifeline program. The Joint Board also recommends that the FCC encourage all states to adopt the recommended federal income-based criteria.

There is a benefit to increasing the number of participants, and also a cost. The obvious benefit would be the increase in the number of telephone subscribers. The cost at the federal level would be the additional federal dollars spent on the additional Lifeline enrollees.

Methodology

This study uses the economic method of forecasting baseline, change and new policy impact. This means that first we estimate the number of Lifeline subscribers and the costs of the program to form the baseline, also known as the status quo. Second, we estimate the changes that would result from a nationwide implementation of a 1.35 PLC, assuming that all states adopt this criterion.[1] Third, we add (or apply) the changes to the baseline to the time period when the policy is expected to be implemented. This step provides an estimate of the number of Lifeline subscribers and costs under the new policy. We have chosen to estimate the baseline and changes for 2004 because that is the timeframe in which the proposed changes will likely be made.

This study uses a combination of statistical regression analysis and simple math in a series of spreadsheet tables. The following equations form the basic structure of the spreadsheet model.

New Lifeline households = New Lifeline-eligible households times predicted Lifeline subscription rate among newly-eligible households.

Additional federal Lifeline expenditures = number of additional households that would take Lifeline times the amount of federal expenditures per household that takes Lifeline.

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[1] Some states have a 1.5 PLC. This study assumes that those states with a 1.5 PLC keep it.

In sum, the results of two regression models are used to predict the impact of a policy change, and these predictions are applied to the baseline to calculate the new level of Lifeline subscription and federal Lifeline expenditures.

Results

The results are summarized below:

Summary information for 2004 if states adopted a 1.35 PLC:

Additional households that would take Lifeline: 967,000 to 1,136,000

Of the additional Lifeline subscribers, the number that
would subscribe to telephone service because of the 1.35 PLC: 259,000

Of the additional Lifeline subscribers, the number that
would already have telephone service: 708,000 to 877,000

Additional federal expenditures in 2004:

Amount that federal expenditures would increase $105,000,000 to $123,000,000

Additional federal expenditures per new telephone subscriber: $405 to $475

2

Lifeline Staff Analysis

Introduction

States use different criteria for determining whether a household qualifies for Lifeline. Some states use the federal eligibility criteria (set by the FCC), which enable households receiving Federal Public Housing Assistance (Section 8), Food Stamps, Low-Income Home Energy Assistance Program, Medicaid, or Supplemental Security Income to receive Lifeline. Other states have set their own criteria. States setting their own criteria often use one or more of the programs from the federal criteria and sometimes include one or more of their own state-wide programs. Some states also use an income-based criterion, which is based on some multiple of the Federal Poverty Guidelines. In all cases, a household need meet only one of a state's criteria to be eligible for Lifeline.

The Joint Board recommends that the FCC add an income-based criterion to the federal eligibility criteria for Lifeline. The Joint Board also recommends that the income-based criterion be set at 1.35 times the Federal Poverty Guidelines. Thus, households with incomes at or below 1.35 times the Federal Poverty Guidelines would be eligible for Lifeline.

This study assumes that all states (not just those that currently utilize the federal default criteria) add an income-based criterion of at least 1.35 times the Federal Poverty Guidelines (poverty level)—a 1.35 Poverty Level Criterion (PLC)—which would increase the overall number of eligible households.[2] This would enable additional low-income citizens in many states to take the Lifeline program. (Households meeting at least one eligibility criterion are eligible for Lifeline, so adding an additional eligibility criterion increases the number of households that are eligible for Lifeline.)

There is a benefit to increasing the number of participants, and also a cost. The obvious benefit would be the increase in the number of telephone subscribers. The cost at a federal level would be the additional federal dollars spent on the additional Lifeline enrollees. Because the study assumes that all states choose to adopt the recommended federal income-based eligibility criteria, the estimates presented are likely to represent the upper limit of potential new Lifeline and telephone subscribers and estimated impact on the fund. If some states choose not to adopt the federal income-based standard, the number of new Lifeline and telephone subscribers, and additional cost would be correspondingly lower.

The relationship between Lifeline eligibility, Lifeline subscribership, and telephone subscribership is as follows. A portion of newly-eligible households (because of a 1.35 PLC) will take Lifeline service. Of those households that subscribe to Lifeline because of the 1.35 PLC, a portion will start taking telephone service because they would then qualify for Lifeline. The other portion would already have telephone service, and would be taking the Lifeline just because they are newly-eligible. See the graphs below.

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[2] This study assumes throughout that states with a 1.5 PLC continue to use a 1.5PLC.

3

Lifeline Eligibility with a 1.35 PLC, households taking Lifeline, and households taking telephone service due to a 1.35 PLC

Currently Eligible for Lifeline

Eligible under current criteria or 1.35 PLC

Newly eligible for Lifeline due to 1.35 PLC

Households that are newly eligible for Lifeline service due to a 1.35 PLC

17% take Lifeline

83% do not take Lifeline

25% of households that take Lifeline service were phoneless

75% of households that take Lifeline service already had phone service

Households that take Lifeline service due to a 1.35 PLC

4

Methodology Summary

This study uses the economic method of forecasting baseline, change and new policy impact. This means that first we estimate the number of Lifeline subscribers and the federa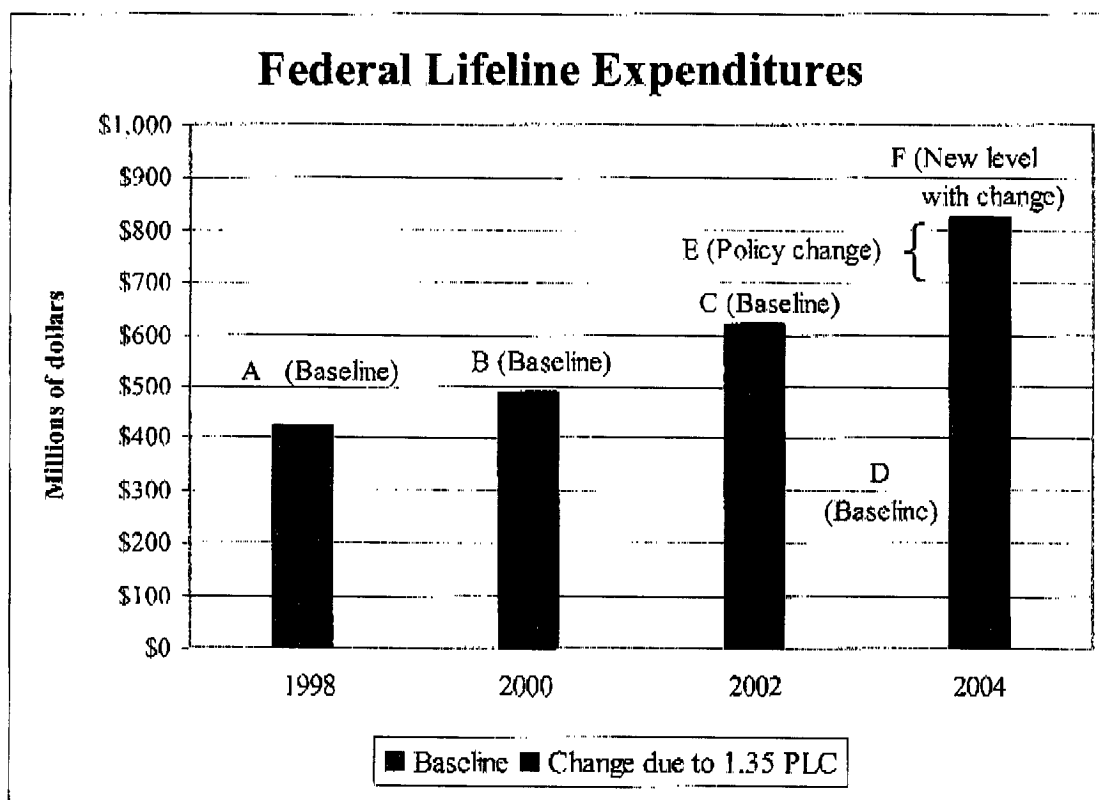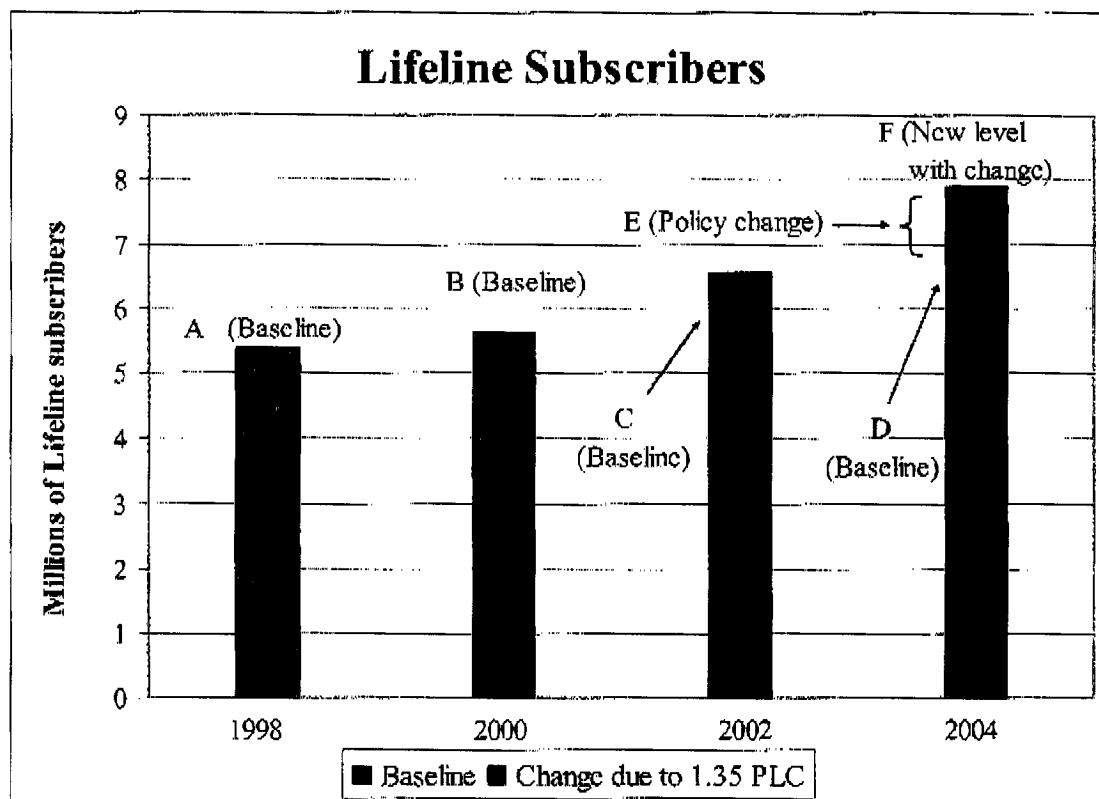l expenditures of the program to form the baseline numbers. Second, we estimate the changes that would result from a nationwide implementation of a 1.35 PLC. Third, we add (or apply) the changes to the baseline in the time period when the policy is expected to be implemented. This step provides an estimate of the number of Lifeline subscribers and costs under the new policy.

For the first step, we estimate Lifeline subscribership in Year 2000 and update those estimates using data for Year 2002. The 2002 estimates are used as a base from which to forecast 2004 baseline Lifeline subscribership. We have chosen to estimate the baseline and changes for 2004 because that is the timeframe in which the proposed changes will be made.

For the second step, the Year 2000 subscribership estimates are used to predict the change in Lifeline subscribership due to a 1.35 PLC. The study uses the plethora of demographic data available from the Year 2000 to model the effects that a 1.35 PLC would have had on Lifeline subscribership and telephone penetration in 2000. For Lifeline subscribership, a regression model is constructed that predicts the increase in Lifeline subscribers as a function of increasing multiples of the Federal Poverty Guidelines. For example, the model predicts that if Texas— which has a 1.25 PLC—adopted a 1.35 PLC, Lifeline subscribers in 2004 would increase by 16,669 to 19,576 (See Table 2.F). For telephone subscribership, a logistic regression is constructed that predicts the increase in telephone subscribership as a function of increasing multiples of the Federal Poverty Guidelines and other important factors, such as income and home ownership. If all states adopt a 1.35 (or higher) PLC for Lifeline, the model predicts that 259,000 households would take telephone service because of that change.

In the third step, the estimated additional number of Lifeline subscribers is added to the baseline in Year 2004 to get the forecasted number of Lifeline subscribers that would exist in 2004 under a nationwide implementation of the new policy. This study forecasts the additional Lifeline subscribers that would result from the implementation of a 1.35 PLC (baseline plus change).

These steps are exhibited in the following graphs. The first graph shows the steps for predicting the number of Lifeline subscribers, and the second graph shows the amount of federal Lifeline expenditures.

Lifeline Subscribers

Millions of Lifeline subscribers (y-axis: 0 to 9)

- F (New level with change)
- E (Policy change)
- A (Baseline)
- B (Baseline)
- C (Baseline)
- D (Baseline)

X-axis: 1998, 2000, 2002, 2004

Legend: ■ Baseline ■ Change due to 1.35 PLC

Federal Lifeline Expenditures

Millions of dollars (y-axis: $0 to $1,000)

- F (New level with change)
- E (Policy change)
- A (Baseline)
- B (Baseline)
- C (Baseline)
- D (Baseline)

X-axis: 1998, 2000, 2002, 2004

Legend: ■ Baseline ■ Change due to 1.35 PLC

Modeling Process

The modeling process is outlined below. The word "produce" is used below when the FCC did not have the actual data, and so the quantities were estimated based on a sound methodology. The word "forecast" is used when data are predicted for a future time period.

- Create baseline
    - Produce baseline Lifeline subscription rates for 2000.
    - Produce baseline Lifeline subscription rates for 2002.
    - Forecast baseline Lifeline subscription rates for 2004.
    - Forecast baseline federal Lifeline expenditures for 2004.
- Estimate change from new policy
    - Produce change to Lifeline eligibility resulting from a 1.35 PLC.
    - Forecast change to Lifeline subscription rates in 2000 resulting from a 1.35 PLC.
    - Forecast change to Lifeline subscription rates for 2004.
    - Forecast for Years 2000 and 2004, change to telephone subscribership resulting from a 1.35 PLC.
    - Forecast change to federal Lifeline expenditures for 2004.
- Apply new policy to baseline to compute new level
    - Apply forecasted changes to forecasted baseline to determine the new number of Lifeline subscribers in 2004.
    - Apply forecasted changes to forecasted baseline to determine the new federal Lifeline expenditures in 2004.

Methodology Detail

The above steps will now be discussed in more detail. A series of tables is constructed that show the computations for the three steps outlined above.

This study combines data from three sources: 1) Current Population Survey of Households (CPSH) provided by the Bureau of Labor Statistics; 2) the website www.lifelinesupport.org; and 3) Universal Service Administrative Company (USAC). The CPSH data contain the results from over 50,000 households that were surveyed around January 2000. The website www.lifelinesupport.org provides the Lifeline eligibility requirements for each state, and USAC's website provides actual Lifeline subscribers in 2000 and 2002.

This study uses a combination of statistical regression analysis and simple math in a series of spreadsheet tables. Two regression models are constructed.

- Lifeline Regression Model - A regression analysis model is constructed that correlates higher Lifeline subscription rates to the use of higher multiples of the Federal Poverty Guidelines for income criteria. Many states have income-based Lifeline eligibility criteria, and in general, the states with a higher multiple of the Federal Poverty Guidelines have higher Lifeline subscription rates. The results from this model are then used to predict the number of households that would take Lifeline in 2000 and 2004 as a result of a nationwide implementation of a 1.35 PLC.

7

- Telephone Regression Model - Another regression model, this time a logistic regression, is used to predict increased telephone participation that would have resulted in 2000 had a 1.35 PLC been implemented. This model incorporates several factors, including the 1.35 PLC, income, and other demographic information. Many states have income-based Lifeline eligibility criteria, and in general, the states with a higher multiple of the Federal Poverty Guidelines have higher telephone subscription rates. The results from this model are then used to determine the number of households that would take telephone service in 2004 as a result of a nationwide implementation of a 1.35 PLC.

The spreadsheet tables use a series of equations which simply add or multiply the contents of various columns in the table to produce a final column (to the right) which is of the most interest. The results of the regression analysis are incorporated into several columns in the tables. The following equations are used in the tables:

- Number of additional households taking Lifeline = number of newly-eligible households times the Lifeline subscription rate (the percentage of those households that would take Lifeline, which is determined by the Lifeline Regression Model).

- Additional federal Lifeline expenditures = number of additional households that would take Lifeline times the amount of federal expenditures per household that takes Lifeline.

In sum, the results of two regression models are used to predict the impact of a policy change, and these predictions are applied to the baseline to calculate the new level. The data and analysis is discussed in more detail below.

<u>Step 1: Create Baseline</u>

The tables in this section examine the number of Lifeline subscribers, the number of households that are eligible for Lifeline and the Lifeline subscription rate. Each table reflects data for a different year.

Baseline Lifeline subscription rates for Year 2000. Nationally, 16.3% of households are estimated to be eligible for Lifeline. Of these eligible households, an estimated 33.1% subscribe to Lifeline.

The CPSH data contain demographic data from which the eligibility for each household in the sample can be determined. So, if a state uses Food Stamps as an eligibility criterion, then those households in that state that received Food Stamps are marked as being eligible for Lifeline. Each household is analyzed according to its state's eligibility criteria, as reported by www.lifelinesupport.org.[3] Only those households that meet at least one of the eligibility criteria are deemed eligible for Lifeline, the rest are deemed ineligible. This is accomplished electronically using Visual Basic for Applications for Microsoft Access. From these data, statewide estimates for the number of Lifeline eligible households are created. USAC data from the *Monitoring Report* are then used to create the Lifeline subscription rate, which is the percentage of eligible households that subscribe to Lifeline. See Table 1.A.

Baseline Lifeline subscription rates for 2002. Nationally, 16.3% of households are estimated to be eligible for Lifeline. Of these households, an estimated 37.5% subscribe to Lifeline.

USAC Lifeline data from 2002 are used to create a new baseline subscribership rate, using the same methodology as for Year 2000 described above. The number of households in each state in Year 2002 is forecasted based on the growth rate of households between 1998 and 2000. It is assumed that the same percentage of households that qualified for Lifeline in 2000 qualified for Lifeline in 2002. See Table 1.B.

Forecasted Baseline Lifeline subscription rates for 2004. There will be an estimated 110.1 million households in the Year 2004, and 6.8 million of those households are expected to take Lifeline under existing rules.

The results from the previous tables are used to forecast the number of households, the number of Lifeline-eligible households, and the number of Lifeline subscribers in 2004. The number of households in 2004 is calculated in the same manner as it was in Table 1.B. The number of households qualifying for Lifeline in 2004 (July 1, 2004, to be exact) is simply calculated by multiplying the percentage of all households that are eligible for Lifeline in 2000 by the forecasted number of households in 2004. This calculation assumes that the same percentage of households will qualify for Lifeline in 2004 as did in 2000. The number of households that would take Lifeline in 2004 is calculated by multiplying the percentage of eligible households that took Lifeline in 2002 by the forecasted number of eligible households in 2004. This calculation assumes that the same percentage of Lifeline-eligible households will take Lifeline in

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[3] The website was viewed in early 2002.

2004 as did in 2002. These predictions make two implicit assumptions: the number of households in each state increases at a constant rate, and the economy continues to grow at the same rate it did in 2002. See Table 1.C.

Forecasted Baseline federal Lifeline expenditures for 2004. Forecasted federal Lifeline expenditures under existing rules in Year 2004 are $709 million.

The forecasted federal Lifeline expenditures are calculated by multiplying the forecasted number of Lifeline subscribers in each state times the expected federal expenditures per line in that state. The state-by-state federal expenditures are then summed to form the national total. See Table 1.D.

Step 2: Estimate Change from New Policy

This section quantifies the number of additional households that would become eligible for Lifeline, the number of households that would subscribe to Lifeline, and the number of additional households that would subscribe to telephone service due to the implementation of a 1.35 PLC. (This analysis assumes that states without a PLC for Lifeline and states with a PLC below 1.35 adopt a 1.35 PLC. This analysis also assumes that states with a 1.5 PLC keep it.) This section then calculates the increased federal Lifeline expenditures resulting from the increased number of households taking Lifeline due to the 1.35 PLC. CPSH data are used to determine the number of additional households that would become eligible for Lifeline. Two regression analyses are used to determine the number of additional households that would subscribe to Lifeline and the number of households that would take telephone service due to a 1.35 PLC.

Change to Lifeline eligibility in 2000 and 2004 resulting from a 1.35 PLC. We predict that an additional 6.1 percent of total households would qualify for Lifeline under the 1.35 PLC, and this would qualify an additional 6.6 million households in Year 2004.

The demographic data from each household in the CPSH data are examined to determine whether it would have become eligible for Lifeline with a 1.35 PLC. The estimates from the CPSH data are then used to determine the number of households in each state that would become eligible for Lifeline with a 1.35 PLC. Table 2.A presents the information for the Year 2000 and 2.B presents the information for the Year 2004.

Change to Lifeline subscribership in 2000 resulting from a 1.35 PLC. We predict that states without a PLC and states with PLCs at 1.25 or lower would see a significant increase in the number of low-income households that take Lifeline if they adopted a 1.35 PLC. Nationwide, the number of Lifeline takers would increase between 928,000 to 1,090,000 if all states adopted a 1.35 PLC.

Different states have different Lifeline eligibility criteria, so regression analysis can be employed to quantify the correlation between the use of a higher multiple of the poverty level (i.e., a higher PLC) and the resulting higher Lifeline subscription rate. The Lifeline Regression Model predicts increased Lifeline subscribership that would have resulted from a nationwide 1.35 PLC in 2000.

See Tables 2.C and 2.D. (At the end of this study is a technical appendix that more thoroughly discusses the regression analysis used for this model.) Tables 2.E and 2.F show the number of additional Lifeline subscribers on a state-by-state basis for 2000 and 2004.

Forecasted change to telephone subscribership for 2004. We predict that if all states adopted a 1.35 PLC, 259,000 households that do not have telephone service would take telephone service.

The Telephone Regression Model uses logistic regression to predict the increased telephone subscribership that would have resulted from a nationwide 1.35 PLC in 2000. See Tables 2.G and 2.H. (At the end of this study is a technical appendix that more thoroughly discusses the logistic regression analysis used for this model.) Table 2.H also uses these results to quantify the number of households that would take telephone service in 2000 and 2004 because of a 1.35 PLC.

For 2000 and 2004 respectively, Tables 2.I and 2.J. break down the number of new Lifeline subscribers into two groups: those that would be taking telephone service because of the 1.35 PLC, and those that are already had telephone service, and who are subscribing to Lifeline just because they would then be eligible for it.

Change to federal Lifeline expenditures for 2004 is forecasted. We predict that federal Lifeline expenditures would increase by $105 million to $123 million if all states implemented a 1.35 PLC.

The forecasted change to federal Lifeline expenditures is calculated by multiplying the forecasted change to the number of Lifeline subscribers in each state times the expected federal expenditures per Lifeline subscribers in that state. The state-by-state change in the amount of federal expenditures is then summed to form the national total. See Table 2.K.

Step 3: Apply New Policy to Baseline to Compute New Level

The new levels of subscribership and costs are shown in several tables. First, the new total of Lifeline subscribers is calculated, and then the increased federal Lifeline expenditures are calculated.

Forecasted New Policy Levels for Lifeline subscribership in 2004. We predict that if all states implement a 1.35 PLC for Lifeline, an estimated 8 million households will subscribe.

Here the forecasted increase in Lifeline subscribers is added to the forecasted baseline number of subscribers to create the new forecasted number of Lifeline subscribers in 2004 with the 1.35 PLC. See Table 3.A.

Forecasted New Policy Levels for federal Lifeline expenditures. We predict that if all states implement a 1.35 PLC for Lifeline, federal Lifeline expenditures are forecasted to be in the range of $814 million to $832 million.

Here the forecasted increase in federal Lifeline expenditures is added to the forecasted baseline federal Lifeline expenditures to create the new forecasted federal Lifeline expenditures in 2004 with the 1.35 PLC. See Table 3.B.

Additional request

Finally, this study examines, at the Joint Board's request, the effects of replacing the current federal default Lifeline eligibility criteria with a single income-based criterion (Table 4.A). For administrative ease, the model assumes that all states (even those that do not presently utilize the federal default criteria) would adopt a single criterion of 1.35 PLC, except that states with a 1.5 PLC would keep it. Therefore, these estimates may overstate the results of the policy change. If current criteria were replaced with a 1.35 PLC, then some current Lifeline participants would no longer be eligible, so there would be decreases in Lifeline subscribership resulting from the discontinued criteria. There would also be offsetting increases from the new 1.35 PLC. The net impact is that fewer households would take Lifeline if the 1.35 PLC were the only eligibility criterion.

The calculations are as follows. The baseline number of households taking Lifeline is the same as calculated above in Section Three. CPSH data are examined to determine the percentage of households that would no longer qualify for Lifeline due to the removal of all other eligibility criteria. The number of newly-eligible households that would take Lifeline as a result of the 1.35 PLC criteria change is derived in Section Three. Thus, the new policy level of Lifeline subscribers is the baseline number of Lifeline subscribers less those subscribers that could not remain due to the change, plus those Lifeline subscribers that would take it because of the change. See Table 4.A.

Other Factors

This study cannot take several important factors into consideration, such as economic conditions and state outreach programs because there are not enough data to do so. Properly accounting for a fluctuating economy would require five or more decades of data. The Lifeline program started only about 20 years ago, so an analysis incorporating a fluctuating economy is not attempted in this study. Further, there are no comprehensive estimates quantifying state spending on outreach programs, or the effects the outreach programs have on Lifeline subscribership.

By not accounting for these factors explicitly, this study assumes that these factors will remain constant between 2000 and 2004. Although changes in these factors can affect the forecasted baseline number of Lifeline subscribers (and therefore, baseline federal expenditures), those factors should have a relatively smaller effect on the forecasted number of households that will take Lifeline as a result of a 1.35 PLC. The number of households that would take Lifeline because of a 1.35 PLC is about 1/6th of those that already take Lifeline. So, as the economy fluctuates, and more or less households take Lifeline, the number of households that would take Lifeline due to a 1.35 PLC will go up and down by 1/6th as much as the number of households that would take Lifeline based on other eligibility criteria. Thus, the number of households

taking Lifeline due to a 1.35 PLC will have $1/36^{th}$ the variance that the number of households taking Lifeline will have.[4]

Additional assumptions

In addition to the factors discussed above, this study makes several assumptions that are needed to estimate the impact of the program:

1) All other Lifeline/Linkup eligibility criteria (and the qualifications for the underlying programs) stay constant over time. Aside from the addition of a 1.35 PLC, this model assumes that between 2000 and 2004, no other changes are made to the Lifeline/Linkup programs or to the programs that are frequently used as qualifying criteria for Lifeline between 2000 and 2004;

2) Data can be substituted. Several states have a 1.33 PLC in effect. This study treats states that have a 1.33 PLC as having a 1.35 PLC. This assumption is reasonable because the effects of a 1.33 PLC are statistically indistinguishable from a 1.35 PLC.

3) Rapid adoption and continuity. This model assumes that all states rapidly adopt a 1.35 PLC (and that states with a 1.5 PLC keep it). The model also assumes that households rapidly learn of the changes to the Lifeline program and expeditiously act on this new information.

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[4] *See* Henry Scheffe, The Analysis of Variance, at 8 (1959).

Results

The results are summarized below:

Summary information for 2004:

Household information:

Forecasted households on Lifeline without 1.35 PLC:	6,827,000
Forecasted additional households on Lifeline with 1.35 PLC:	967,000 to 1,136,000
Forecasted households on Lifeline with 1.35 PLC:	7,974,000 to 7,961,000

Lifeline subscriber information:

Households that would take telephone service due to the 1.35 PLC:	259,000
Households taking Lifeline that already have telephone service:	708,000 to 877,000

Federal Lifeline expenditures:

Forecasted federal Lifeline expenditures without 1.35 PLC:	$709,000,000
Forecasted amount federal expenditures would increase:	$105,000,000 to $123,000,000
Forecasted federal Lifeline expenditures with 1.35 PLC:	$814,000,000 to $832,000,000

Additional federal expenditures per new telephone subscriber: $405 to $475

List of Tables

Table 1.A

Baseline Lifeline subscription information (Year 2000)

State	a (Monitoring Report) Lifeline subscribers	b (CPSH data) Estimated households (HH)	c (CPSH data) Estimated % eligible	d=b*c Estimated eligible HH	e=a/d Estimated Lifeline subscription rate	
Alabama	18,676	1,743,574	14.9%	259,534	7.2%	
Alaska	4,321	217,746	18.7%	40,783	10.6%	
Arizona	22,118	1,808,150	13.4%	242,281	9.1%	*
Arkansas	8,843	1,026,805	19.6%	200,892	4.4%	
California	3,157,706	12,086,382	19.3%	2,328,673	135.6%	
Colorado	23,995	1,602,410	3.1%	49,918	48.1%	*
Connecticut	61,437	1,286,753	11.0%	142,025	43.3%	*
Delaware	606	288,200	16.6%	47,952	1.3%	*
DC	10,593	239,359	18.7%	44,732	23.7%	
Florida	129,980	6,065,548	13.2%	800,672	16.2%	
Georgia	74,825	2,950,929	15.2%	448,507	16.7%	
Hawaii	12,590	411,611	26.9%	110,692	11.4%	
Idaho	14,780	481,148	21.9%	105,367	14.0%	*
Illinois	49,347	4,574,246	12.9%	591,251	8.3%	
Indiana	19,053	2,301,252	13.2%	302,984	6.3%	
Iowa	6,105	1,148,540	10.6%	121,475	5.0%	
Kansas	5,591	1,044,615	11.0%	115,213	4.9%	*
Kentucky	25,040	1,549,172	17.2%	266,916	9.4%	
Louisiana	10,435	1,609,089	19.7%	317,756	3.3%	
Maine	67,401	497,043	15.1%	75,230	89.6%	*
Maryland	3,885	1,988,933	3.7%	73,576	5.3%	*
Massachusetts	167,699	2,466,124	16.1%	395,930	42.4%	*
Michigan	132,432	3,710,812	23.2%	862,177	15.4%	
Minnesota	54,787	1,848,976	12.8%	237,457	23.1%	
Mississippi	13,370	1,039,680	21.9%	227,731	5.9%	*
Missouri	10,709	2,170,965	16.0%	347,650	3.1%	*
Montana	9,570	356,967	10.7%	38,197	25.1%	
Nebraska	11,434	653,743	10.7%	69,930	16.4%	
Nevada	10,551	684,256	20.9%	142,745	7.4%	
New Hampshire	5,205	465,200	14.8%	68,733	7.6%	
New Jersey	6,434	3,044,560	12.3%	375,647	1.7%	*
New Mexico	32,843	668,708	16.2%	108,020	30.4%	
New York	657,267	7,037,711	19.8%	1,395,361	47.1%	*
North Carolina	44,434	2,948,596	15.7%	463,888	9.6%	
North Dakota	11,968	256,636	12.3%	31,686	37.8%	
Ohio	109,202	4,520,694	14.5%	657,454	16.6%	*
Oklahoma	2,454	1,334,263	14.5%	193,842	1.3%	*
Oregon	28,934	1,341,046	24.2%	323,906	8.9%	
Pennsylvania	40,168	4,667,883	12.0%	558,246	7.2%	
Rhode Island	46,244	387,422	16.1%	62,351	73.9%	*
South Carolina	21,091	1,543,700	15.1%	233,810	9.0%	
South Dakota	11,532	281,747	13.0%	36,703	31.4%	
Tennessee	30,347	2,141,233	26.1%	559,670	5.4%	
Texas	236,934	7,436,436	23.6%	1,752,323	13.5%	
Utah	19,237	678,741	17.4%	118,046	16.3%	
Vermont	28,464	240,122	30.2%	72,618	39.2%	
Virginia	22,306	2,651,584	8.5%	225,864	9.9%	
Washington	61,809	2,305,174	13.5%	312,117	19.8%	*
West Virginia	5,546	756,595	20.5%	155,064	3.6%	*
Wisconsin	59,331	2,027,940	13.3%	269,753	22.0%	*
Wyoming	1,337	192,930	11.5%	22,168	6.0%	
Nationwide	5,620,971	104,782,000	16.3%	17,006,000	33.1%	
Non-starred observations:			17.2%		36.2%	

* This state has multiple Lifeline-type programs, or has eligibility criteria containing significant elements that cannot be accounted for with CPSH data, so this estimate is unreliable.

Sources: Industry Analysis and Technology Division, Wireline Competition Bureau, Universal Service Monitoring Report (Oct. 2002), Current Population Survey of Households (CPSH) March 2000 data, and www.lifelinesupport.org.

Table 1.B
Baseline Lifeline subscription information (Year 2002)

State	a (Table 1.A) Households 2000	b (CPSH) Growth (loss) 2000-2002 based on 1998-2000	c=a*b New (fewer) households in 2002	d=a+c Expected total households in 2002	e (Table 1.A) Percentage of HH that would qualify for Lifeline (LL) under existing rules	f=d*e Households that would qualify for Lifeline under existing rules	g (USAC data) Households that took Lifeline in 2002	h=g/f Percentage of households that took Lifeline in 2002
Alabama	1,743,574	1.0%	18,258	1,761,832	14.9%	262,252	25,403	9.7%
Alaska	217,746	-5.8%	-12,652	205,094	18.7%	38,414	23,302	60.7%
Arizona	1,808,150	7.2%	129,946	1,938,096	13.4%	259,693	73,186	28.2%
Arkansas	1,026,805	2.0%	20,813	1,047,618	19.6%	204,964	10,100	4.9%
California	12,086,382	5.2%	633,821	12,720,203	19.3%	2,450,791	3,232,732	131.9%
Colorado	1,602,410	2.9%	46,624	1,649,034	3.1%	51,370	29,709	57.8%
Connecticut	1,286,753	1.3%	16,443	1,303,196	11.0%	143,840	58,056	40.4%
Delaware	288,200	6.3%	18,048	306,248	16.6%	50,955	2,100	4.1%
DC	239,359	4.1%	9,932	249,291	18.7%	46,588	13,645	29.3%
Florida	6,065,548	0.8%	48,053	6,113,601	13.2%	807,015	142,521	17.7%
Georgia	2,950,929	3.0%	88,987	3,039,916	15.2%	462,032	68,266	14.8%
Hawaii	411,611	-0.6%	-2,588	409,023	26.9%	109,996	14,124	12.8%
Idaho	481,148	5.3%	25,369	506,517	21.9%	111,133	27,660	24.9%
Illinois	4,574,246	2.3%	104,619	4,678,865	12.9%	604,774	87,188	14.4%
Indiana	2,301,252	1.7%	40,155	2,341,407	13.2%	308,271	40,326	13.1%
Iowa	1,148,540	1.4%	15,734	1,164,274	10.6%	123,139	17,800	14.5%
Kansas	1,044,615	2.2%	23,301	1,067,916	11.0%	117,783	13,775	11.7%
Kentucky	1,549,172	1.4%	21,723	1,570,895	17.2%	270,659	60,739	22.4%
Louisiana	1,609,089	-2.3%	36,141	1,572,948	19.7%	310,619	21,265	6.8%
Maine	497,043	-3.4%	-16,832	480,211	15.1%	72,682	85,587	117.8%
Maryland	1,988,933	2.4%	47,514	2,036,447	3.7%	75,334	4,022	5.3%
Massachusetts	2,466,124	3.0%	74,890	2,541,014	16.1%	407,953	164,600	40.3%
Michigan	3,710,812	-1.5%	-54,154	3,656,658	23.2%	849,595	118,794	14.0%
Minnesota	1,848,976	3.8%	69,344	1,918,320	12.8%	246,362	47,554	19.3%
Mississippi	1,039,680	0.6%	6,663	1,046,343	21.9%	229,191	22,566	9.8%
Missouri	2,170,965	3.1%	66,452	2,237,417	16.0%	358,291	33,322	9.3%
Montana	356,967	0.3%	1,146	358,113	10.7%	38,319	15,815	41.3%
Nebraska	653,743	1.7%	11,302	665,045	10.7%	71,138	15,241	21.4%
Nevada	684,256	1.4%	9,705	693,961	20.9%	144,769	37,204	25.7%
New Hampshire	465,200	3.1%	14,459	479,659	14.8%	70,869	7,253	10.2%
New Jersey	3,044,560	4.8%	144,642	3,189,202	12.3%	393,494	46,687	11.9%
New Mexico	668,708	3.0%	19,762	688,470	16.2%	111,212	47,356	42.6%
New York	7,037,711	1.0%	68,528	7,106,239	19.8%	1,408,948	500,673	35.5%
North Carolina	2,948,596	2.0%	59,074	3,007,670	15.7%	473,181	99,510	21.0%
North Dakota	256,636	1.5%	3,776	260,412	12.3%	32,132	19,226	59.8%
Ohio	4,520,694	2.1%	93,114	4,613,808	14.5%	670,995	279,591	41.7%
Oklahoma	1,334,263	0.8%	10,497	1,344,760	14.5%	195,367	117,297	60.0%
Oregon	1,341,046	4.7%	62,475	1,403,521	24.2%	338,996	36,402	10.7%
Pennsylvania	4,667,883	0.1%	5,726	4,673,609	12.0%	558,931	94,846	17.0%
Rhode Island	387,422	-3.6%	-13,789	373,633	16.1%	60,325	46,189	76.6%
South Carolina	1,543,700	6.5%	100,951	1,644,651	15.1%	249,100	21,809	8.8%
South Dakota	281,747	-1.2%	-3,479	278,268	13.0%	36,250	27,117	74.8%
Tennessee	2,141,233	-1.8%	-39,229	2,102,004	26.1%	549,416	49,030	8.9%
Texas	7,436,436	4.2%	312,458	7,748,894	23.6%	1,825,951	429,970	23.5%
Utah	678,741	0.4%	3,048	681,789	17.4%	118,576	19,652	16.6%
Vermont	240,122	-1.8%	-4,409	235,713	30.2%	71,284	29,911	42.0%
Virginia	2,651,584	2.4%	63,202	2,714,786	8.5%	231,248	20,730	9.0%
Washington	2,305,174	3.6%	83,855	2,389,029	13.5%	323,471	83,327	25.8%
West Virginia	756,595	1.7%	13,240	769,835	20.5%	157,768	4,905	3.1%
Wisconsin	2,027,940	-3.3%	-67,855	1,960,085	13.3%	260,727	68,333	26.2%
Wyoming	192,930	3.4%	6,485	199,415	11.5%	22,913	2,126	9.3%
Nationwide	104,782,000	2.2%	2,363,000	107,145,000	16.3%	17,489,000	6,558,360	37.5%

Source: Current Population Survey of Households (CPSH) March 1998 and 2000 data.

Table 1.C
Baseline Lifeline subscription information (Year 2004)

State	a (Table 1.A) Households 2000	b (CPSH) Growth (loss) 1/2000 - 7/2004 based on 1/1998 - 1/2000[1]	c=a*b New (fewer) households in 2004	d=a+c Expected total households July 2004	e (Table 1.A) Percentage of HH that would qualify for LL under existing rules	f=d*e Households that would qualify for Lifeline under existing rules	g (Table 1.B) Lifeline take rate for HH that qualify under existing rules	h=f*g Expected HH that would take Lifeline under existing rules
Alabama	1,743,574	2.4%	41,081	1,784,655	14.9%	265,649	9.7%	25,732
Alaska	217,746	-13.1%	-28,467	189,279	18.7%	35,452	60.7%	21,505
Arizona	1,808,150	16.2%	292,378	2,100,528	13.4%	281,458	28.2%	79,320
Arkansas	1,026,805	4.6%	46,828	1,073,633	19.6%	210,054	4.9%	10,351
California	12,086,382	11.8%	1,426,096	13,512,478	19.3%	2,603,438	131.9%	3,434,082
Colorado	1,602,410	6.5%	104,903	1,707,313	3.1%	53,186	57.8%	30,759
Connecticut	1,286,753	2.9%	36,998	1,323,751	11.0%	146,109	40.4%	58,972
Delaware	288,200	14.1%	40,609	328,809	16.6%	54,709	4.1%	2,255
DC	239,359	9.3%	22,347	261,706	18.7%	48,908	29.3%	14,325
Florida	6,065,548	1.8%	108,119	6,173,667	13.2%	814,944	17.7%	143,921
Georgia	2,950,929	6.8%	200,220	3,151,149	15.2%	478,938	14.8%	70,764
Hawaii	411,611	-1.4%	-5,824	405,787	26.9%	109,126	12.8%	14,012
Idaho	481,148	11.9%	57,079	538,227	21.9%	118,091	24.9%	29,392
Illinois	4,574,246	5.1%	233,394	4,809,640	12.9%	621,677	14.4%	89,625
Indiana	2,301,252	3.9%	90,349	2,391,601	13.2%	314,879	13.1%	41,190
Iowa	1,148,540	3.1%	35,402	1,183,942	10.6%	125,219	14.5%	18,101
Kansas	1,044,615	5.0%	52,427	1,097,042	11.0%	120,995	11.7%	14,151
Kentucky	1,549,172	3.2%	48,877	1,598,049	17.2%	275,337	22.4%	61,789
Louisiana	1,609,089	-5.1%	-81,317	1,527,772	19.7%	301,698	6.8%	20,654
Maine	497,043	-7.6%	-37,872	459,171	15.1%	69,498	117.8%	81,837
Maryland	1,988,933	5.4%	106,907	2,095,840	3.7%	77,531	5.3%	4,139
Massachusetts	2,466,124	6.8%	168,501	2,634,625	16.1%	422,982	40.3%	170,664
Michigan	3,710,812	-3.3%	-121,847	3,588,965	23.2%	833,867	14.0%	116,595
Minnesota	1,848,976	8.4%	156,024	2,005,000	12.8%	257,494	19.3%	49,703
Mississippi	1,039,680	1.4%	14,993	1,054,673	21.9%	231,015	9.8%	22,746
Missouri	2,170,965	6.9%	149,516	2,320,481	16.0%	371,592	9.3%	34,559
Montana	356,967	0.7%	2,578	359,545	19.7%	38,473	41.3%	15,878
Nebraska	653,743	3.9%	25,428	679,171	10.7%	72,650	21.4%	15,565
Nevada	684,256	3.2%	21,836	706,092	20.9%	147,300	25.7%	37,854
New Hampshire	465,200	7.0%	32,533	497,733	14.8%	73,540	10.2%	7,526
New Jersey	3,044,560	10.7%	325,444	3,370,004	12.3%	415,802	11.9%	49,334
New Mexico	668,708	6.6%	44,465	713,173	16.2%	115,202	42.6%	49,055
New York	7,037,711	2.2%	154,188	7,191,899	19.8%	1,425,932	35.5%	506,706
North Carolina	2,948,596	4.5%	132,916	3,081,512	15.7%	484,799	21.0%	101,953
North Dakota	256,636	3.3%	8,495	265,131	12.3%	32,734	59.8%	19,574
Ohio	4,520,694	4.6%	209,506	4,730,200	14.5%	687,923	41.7%	286,644
Oklahoma	1,334,263	1.8%	23,618	1,357,881	14.5%	197,273	60.0%	118,442
Oregon	1,341,046	10.5%	140,569	1,481,615	24.2%	357,858	10.7%	38,427
Pennsylvania	4,667,883	0.3%	12,884	4,680,767	12.0%	559,787	17.0%	94,991
Rhode Island	387,422	-8.0%	-31,025	356,397	16.1%	57,542	76.6%	44,058
South Carolina	1,543,700	14.7%	227,140	1,770,840	15.1%	268,212	8.8%	23,482
South Dakota	281,747	-2.8%	-7,827	273,920	13.0%	35,683	74.8%	26,693
Tennessee	2,141,233	-4.1%	-88,266	2,052,967	26.1%	536,599	8.9%	47,906
Texas	7,436,436	9.5%	703,031	8,139,467	23.6%	1,917,986	23.5%	451,642
Utah	678,741	1.0%	6,858	685,599	17.4%	119,238	16.6%	19,762
Vermont	240,122	-4.1%	-9,920	230,202	30.2%	69,618	42.0%	29,212
Virginia	2,651,584	5.4%	142,205	2,793,789	8.5%	237,978	9.0%	21,333
Washington	2,305,174	8.2%	188,674	2,493,848	13.5%	337,663	25.8%	86,983
West Virginia	756,595	3.9%	29,789	786,384	20.5%	161,159	3.1%	5,010
Wisconsin	2,027,940	-7.5%	-152,673	1,875,267	13.3%	249,445	26.2%	65,376
Wyoming	192,930	7.6%	14,592	207,522	11.5%	23,845	9.3%	2,212
Nationwide	104,782,000	4.9%	5,317,000	110,099,000	16.3%	17,971,000	37.5%	6,827,000

[1] 2.25 times the 2-year growth (1998-2000) equals the growth over 4.5 years.

Source: Current Population Survey of Households (CPSH) March 1998 and 2000 data.

19

Table 1.D
Forecasted baseline Lifeline expenditures (Year 2004)

State	a (staff estimate)[1] Monthly federal support per line in 2004	b=a*12 Annual federal support per line	c (Table 1.C) Expected Households taking Lifeline under existing rules	d=b*c Forecasted Lifeline expenditures under existing rules
Alabama	$10.00	$120.00	25,732	$3,087,836
Alaska	$10.00	$120.00	21,505	$2,580,554
Arizona	$8.31	$99.67	79,320	$7,905,402
Arkansas	$8.25	$99.00	10,351	$1,024,729
California	$8.34	$100.02	3,434,082	$343,490,485
Colorado	$10.00	$120.00	30,759	$3,691,050
Connecticut	$8.02	$96.26	58,972	$5,676,889
Delaware	$8.17	$98.04	2,255	$221,051
DC	$7.32	$87.84	14,325	$1,258,269
Florida	$10.00	$120.00	143,921	$17,270,546
Georgia	$10.00	$120.00	70,764	$8,491,683
Hawaii	$8.25	$99.00	14,012	$1,387,216
Idaho	$9.91	$118.92	29,392	$3,495,190
Illinois	$7.42	$89.01	89,625	$7,977,186
Indiana	$7.45	$89.39	41,190	$3,682,115
Iowa	$6.96	$83.48	18,101	$1,511,046
Kansas	$8.82	$105.87	14,151	$1,498,204
Kentucky	$9.86	$118.29	61,789	$7,309,219
Louisiana	$8.25	$99.00	20,654	$2,044,783
Maine	$9.93	$119.19	81,837	$9,754,343
Maryland	$9.11	$109.33	4,139	$452,553
Massachusetts	$9.92	$119.04	170,664	$20,315,902
Michigan	$8.21	$98.54	116,595	$11,489,535
Minnesota	$7.04	$84.44	49,703	$4,197,110
Mississippi	$10.00	$120.00	22,746	$2,729,464
Missouri	$7.08	$84.97	34,559	$2,936,422
Montana	$10.00	$120.00	15,878	$1,905,390
Nebraska	$9.43	$113.15	15,565	$1,761,179
Nevada	$7.87	$94.49	37,854	$3,576,901
New Hampshire	$8.17	$98.08	7,526	$738,167
New Jersey	$7.95	$95.45	49,334	$4,709,062
New Mexico	$10.00	$120.00	49,055	$5,886,597
New York	$9.83	$117.99	506,706	$59,787,604
North Carolina	$9.72	$116.61	101,953	$11,889,163
North Dakota	$10.00	$120.00	19,574	$2,348,946
Ohio	$7.33	$87.99	286,644	$25,222,329
Oklahoma	$7.78	$93.36	118,442	$11,057,846
Oregon	$10.00	$120.00	38,427	$4,611,270
Pennsylvania	$9.03	$108.32	94,991	$10,289,288
Rhode Island	$9.92	$119.04	44,058	$5,244,688
South Carolina	$9.98	$119.72	23,482	$2,811,320
South Dakota	$8.21	$98.47	26,693	$2,628,559
Tennessee	$9.89	$118.70	47,906	$5,686,235
Texas	$8.90	$106.81	451,642	$48,241,163
Utah	$9.94	$119.22	19,762	$2,356,049
Vermont	$9.93	$119.20	29,212	$3,481,989
Virginia	$9.44	$113.22	21,333	$2,415,418
Washington	$9.62	$115.40	86,983	$10,037,727
West Virginia	$9.25	$111.00	5,010	$556,172
Wisconsin	$7.72	$92.68	65,376	$6,059,047
Wyoming	$10.00	$120.01	2,212	$265,505
Nationwide	Not applicable	Not applicable	6,827,000	$709,000,000

[1] Estimate of monthly federal expenditures includes the Subscriber Line Charge (SLC), $1.75, and any federal matching funds for that state. SLC amounts were estimated on a company-by-company basis, and are based on rules established by the CALLS and MAG proceedings. The SLC for each state is a weighted average based on the number of Lifeline subscribers served by each carrier in the state.

Section 2: Change to baseline: effects from the new policy
Table 2.A
Estimated additional Lifeline-eligible households using a nationwide 1.35 PLC (Year 2000)

State	a (Table 1.A) Households	b (CPSH data) Additional households that would qualify with a 1.35 PLC[1]	c=b/a Additional households (%) that would qualify with a 1.35 PLC
Alabama	1,743,574	187,280	10.7%
Alaska	217,746	12,881	5.9%
Arizona	1,808,150	185,960	10.3%
Arkansas	1,026,805	105,820	10.3%
California	12,086,382	0	0.0%
Colorado	1,602,410	122,432	7.6%
Connecticut	1,286,753	74,674	5.8%
Delaware	288,200	18,646	6.5%
DC	239,359	0	0.0%
Florida	6,065,548	630,048	10.4%
Georgia	2,950,929	261,620	8.9%
Hawaii	411,611	19,996	4.9%
Idaho	481,148	0	0.0%
Illinois	4,574,246	287,799	6.3%
Indiana	2,301,252	179,694	7.8%
Iowa	1,148,540	84,158	7.3%
Kansas	1,044,615	113,605	10.9%
Kentucky	1,549,172	166,329	10.7%
Louisiana	1,609,089	204,829	12.7%
Maine	497,043	28,875	5.8%
Maryland	1,988,933	169,010	8.5%
Massachusetts	2,466,124	194,536	7.9%
Michigan	3,710,812	0	0.0%
Minnesota	1,848,976	123,972	6.7%
Mississippi	1,039,680	105,691	10.2%
Missouri	2,170,965	66,917	3.1%
Montana	356,967	51,465	14.4%
Nebraska	653,743	66,005	10.1%
Nevada	684,256	0	0.0%
New Hampshire	465,200	22,824	4.9%
New Jersey	3,044,560	233,809	7.7%
New Mexico	668,708	105,012	15.7%
New York	7,037,711	553,831	7.9%
North Carolina	2,948,596	280,021	9.5%
North Dakota	256,636	35,987	14.0%
Ohio	4,520,694	287,402	6.4%
Oklahoma	1,334,263	142,085	10.6%
Oregon	1,341,046	0	0.0%
Pennsylvania	4,667,883	257,976	5.5%
Rhode Island	387,422	33,092	8.5%
South Carolina	1,543,700	131,571	8.5%
South Dakota	281,747	17,661	6.3%
Tennessee	2,141,233	34,677	1.6%
Texas	7,436,436	104,501	1.4%
Utah	678,741	0	0.0%
Vermont	240,122	0	0.0%
Virginia	2,651,584	213,490	8.1%
Washington	2,305,174	190,912	8.3%
West Virginia	756,595	97,149	12.8%
Wisconsin	2,027,940	143,503	7.1%
Wyoming	192,930	20,488	10.6%
Nationwide	104,782,000	6,368,000	6.1%

21

Section 2: Change to baseline: effects from the new policy
Table 2.B
Estimated additional Lifeline-eligible households using a nationwide 1.35 PLC (Year 2004)

State	a (Table 1.C) Forecasted Households in 2004	b (Table 2.A) Additional households (%) that would qualify with a 1.35 PLC	c=a*b Additional households that would qualify with a 1.35 PLC[1]
Alabama	1,784,655	10.7%	191,692
Alaska	189,279	5.9%	11,197
Arizona	2,100,528	10.3%	216,029
Arkansas	1,073,633	10.3%	110,646
California	13,512,478	0.0%	0
Colorado	1,707,313	7.6%	130,447
Connecticut	1,323,751	5.8%	76,821
Delaware	328.809	6.5%	21,273
DC	261,706	0.0%	0
Florida	6,173,667	10.4%	641,279
Georgia	3,151,149	8.9%	279,371
Hawaii	405,787	4.9%	19,713
Idaho	538,227	0.0%	0
Illinois	4,809,640	6.3%	302,609
Indiana	2,391,601	7.8%	186,749
Iowa	1,183,942	7.3%	86,752
Kansas	1,097,042	10.9%	119,307
Kentucky	1,598,049	10.7%	171,577
Louisiana	1,527,772	12.7%	194,478
Maine	459,171	5.8%	26,675
Maryland	2,095,840	8.5%	178,094
Massachusetts	2,634,625	7.9%	207,828
Michigan	3,588,965	0.0%	0
Minnesota	2,005,000	6.7%	134,434
Mississippi	1,054,673	10.2%	107,215
Missouri	2,320,491	3.1%	71,526
Montana	359,545	14.4%	51,837
Nebraska	679,171	10.1%	68,573
Nevada	706,092	0.0%	0
New Hampshire	497,733	4.9%	24,420
New Jersey	3,370,004	7.7%	258,801
New Mexico	713,173	15.7%	111,995
New York	7,191,899	7.9%	565,965
North Carolina	3,081,512	9.5%	292,644
North Dakota	265,131	14.0%	37,179
Ohio	4,730,200	6.4%	300,722
Oklahoma	1,357,881	10.6%	144,600
Oregon	1,481,615	0.0%	0
Pennsylvania	4,680,767	5.5%	258,688
Rhode Island	356,397	8.5%	30,442
South Carolina	1,770,840	8.5%	150,931
South Dakota	273,920	6.3%	17,171
Tennessee	2,052,967	1.6%	33,248
Texas	8,139,467	1.4%	114,380
Utah	685,599	0.0%	0
Vermont	230,202	0.0%	0
Virginia	2,793,789	8.1%	224,939
Washington	2,493,848	8.3%	206,538
West Virginia	786,384	12.8%	100,973
Wisconsin	1,875,267	7.1%	132,700
Wyoming	207,522	10.6%	22,038
Nationwide	110,099,000	6.1%	6,634,000

[1] Assumes that there would be no measurable impact from a state with a 1.33 PLC changing it to a 1.35 PLC.

Section 2: Change to baseline: effects from the new policy
Table 2.C
Regression analysis: Would Lifeline take rates[1] increase due to a nationwide implementation of a 1.35 PLC?

Regression Model

Dependent variable: Lifeline take rate	Specification 1 (Low Range)		Specification 2 (High Range)	
Independent variables	Coefficient	t-statistic	Coefficient	t-statistic
Amount that state's PLC is above 1.25[2]	0.582	1.70	0.682	1.99
California	1.041	5.70	1.015	5.63
Total support	0.017	1.63		
Constant	-0.022	-0.22	0.138	5.49
Sample size: 51 $R^2=$	0.5562		0.5312	

Conclusion: Yes, for both specifications, the coefficient on "Amount that state's PLC is above 1.25" is positive and statistically significant.

Result

Q: If a state without a PLC (or a state with a PLC below 1.35) added a 1.35 PLC, how much would the take rate increase?			
	Coefficient	Amount 1.35 PLC is above 1.25	Increase in portion that would take Lifeline[4]
Low range:	0.582	0.1	0.058
High range:	0.682	0.1	0.068

A: The take rate would rise by 5.8 to 6.8 percentage points.

Notes:

[1] The Lifeline take rate is the number of households that take Lifeline divided by the number of households with income at or below 1.5 times the poverty level. For more information on the regression, see Appendix 1.

[2] Significant at the 10% level in a two-tailed test.

[3] For instance, if a state has a 1.5 poverty level criterion, then the variable has a value of .25 (=1.5 - 1.25). If a state has no poverty level criteria, or if the state's poverty level criteria is at or below 1.25, then the variable has a value of 0.

[4] This means that if a state raised its PLC from 1.25 to 1.35, then, on average, the percentage of poor households that take Lifeline would rise by 6.8 percentage points. Similarly, on average, a state adding a 1.35 PLC where no PLC existed would increase its Lifeline take rate by 6.8 percentage points.

Section 2: Change to baseline: effects from the new policy

Table 2.D

Estimated additional Lifeline subscribership with a nationwide 1.35 PLC

	a (CPSH data)	b (Table 2.C)	c=a*b
	Households with incomes at or below 1.5 times the poverty level in states with 1.25 or lower PLCs (Year 2000)[1]	Additional households that would take Lifeline due to 1.35 PLC	Additional Lifeline takers due to 1.35 PLC[2]
Low range:	15,959,000	5.8%	928,000
High range:	15,959,000	6.8%	1,090,000

Q: Of the households that would become eligible to take Lifeline because of a 1.35 PLC, what percentage would do so only because of the 1.35 PLC?

	A (Column c, above)	B (Table 2.A)	C=A*B
	Additional households that would have taken Lifeline due to a 1.35 PLC	Additional households that would have become eligible due to a 1.35 PLC	Percentage of newly eligible households that would take Lifeline with a 1.35 PLC
Low range:	928,000	6,368,000	14.6%
High range:	1,090,000	6,368,000	17.1%

A: 14.6% to 17.1% of the households that would become eligible for Lifeline would subscribe.

Notes
[1] The regression analysis presented in Table 2.C examined Lifeline take rates among households with incomes at or below 1.5 times the federal poverty guidelines. This value includes households in states without a poverty level criterion for Lifeline.
[2] Assumes that states with a Lifeline criterion of 1.5 PLC do not change their criteria. Also assumes that states with 1.33 PLCs see no measurable effect from implementing a 1.35 PLC.

Source: Current Population Survey of Households (CPSH) March 2000 data.

Section 2: Change to baseline: effects from the new policy
Table 2.E
Estimated state-by-state additional Lifeline subscribers using a 1.35 PLC (Year 2000)

State	a (Table 2.A) Additional HH that would qualify if 1.35 PLC were added	Low range b (Table 2.D) Take rate among HH that qualify due to 1.35 PLC	Low range c=a*b Additional LL takers due to 1.35 PLC	High range d (Table 2.D) Take rate among HH that qualify due to 1.35 PLC	High range e=a*d Additional LL takers due to 1.35 PLC
Alabama	187,280	14.6%	27,292	17.1%	32,056
Alaska	12,881	14.6%	1,877	17.1%	2,205
Arizona	185,960	14.6%	27,100	17.1%	31,830
Arkansas	105,820	14.6%	15,421	17.1%	18,113
California	0	14.6%	0	17.1%	0
Colorado	122,432	14.6%	17,842	17.1%	20,957
Connecticut	74,674	14.6%	10,882	17.1%	12,782
Delaware	18,646	14.6%	2,717	17.1%	3,192
DC	0	14.6%	0	17.1%	0
Florida	630,048	14.6%	91,816	17.1%	107,844
Georgia	261,620	14.6%	38,126	17.1%	44,781
Hawaii	19,996	14.6%	2,914	17.1%	3,423
Idaho	0	14.6%	0	17.1%	0
Illinois	287,799	14.6%	41,941	17.1%	49,262
Indiana	179,694	14.6%	26,187	17.1%	30,758
Iowa	84,158	14.6%	12,264	17.1%	14,405
Kansas	113,605	14.6%	16,555	17.1%	19,446
Kentucky	166,329	14.6%	24,239	17.1%	28,470
Louisiana	204,829	14.6%	29,849	17.1%	35,060
Maine	28,875	14.6%	4,208	17.1%	4,943
Maryland	169,010	14.6%	24,630	17.1%	28,929
Massachusetts	194,536	14.6%	28,349	17.1%	33,298
Michigan	0	14.6%	0	17.1%	0
Minnesota	123,972	14.6%	18,066	17.1%	21,220
Mississippi	105,691	14.6%	15,402	17.1%	18,091
Missouri	66,917	14.6%	9,752	17.1%	11,454
Montana	51,465	14.6%	7,500	17.1%	8,809
Nebraska	66,005	14.6%	9,619	17.1%	11,298
Nevada	0	14.6%	0	17.1%	0
New Hampshire	22,824	14.6%	3,326	17.1%	3,907
New Jersey	233,809	14.6%	34,073	17.1%	40,021
New Mexico	105,012	14.6%	15,303	17.1%	17,975
New York	553,831	14.6%	80,709	17.1%	94,798
North Carolina	280,021	14.6%	40,807	17.1%	47,931
North Dakota	35,987	14.6%	5,244	17.1%	6,160
Ohio	287,402	14.6%	41,883	17.1%	49,194
Oklahoma	142,085	14.6%	20,706	17.1%	24,321
Oregon	0	14.6%	0	17.1%	0
Pennsylvania	257,976	14.6%	37,594	17.1%	44,157
Rhode Island	33,092	14.6%	4,822	17.1%	5,664
South Carolina	131,571	14.6%	19,174	17.1%	22,521
South Dakota	17,661	14.6%	2,574	17.1%	3,023
Tennessee	34,677	14.6%	5,053	17.1%	5,936
Texas	104,501	14.6%	15,229	17.1%	17,887
Utah	0	14.6%	0	17.1%	0
Vermont	0	14.6%	0	17.1%	0
Virginia	213,490	14.6%	31,112	17.1%	36,543
Washington	190,912	14.6%	27,821	17.1%	32,678
West Virginia	97,149	14.6%	14,157	17.1%	16,629
Wisconsin	143,503	14.6%	20,913	17.1%	24,563
Wyoming	20,488	14.6%	2,986	17.1%	3,507
Nationwide	6,368,000	14.6%	928,000	17.1%	1,090,000

Section 2: Change to baseline: effects from the new policy
Table 2.F
Estimated state-by-state additional Lifeline subscribers using a 1.35 PLC (Year 2004)

State	a (Table 2.A) Additional HH that would qualify if 1.35 PLC were added	Low range b (Table 2.D) Take rate among HH that qualify due to 1.35 PLC	Low range c=a*b Additional LL takers due to 1.35 PLC	High range d (Table 2.D) Take rate among HH that qualify due to 1.35 PLC	High range e=a*d Additional LL takers due to 1.35 PLC
Alabama	191,692	14.6%	27,935	17.1%	32,812
Alaska	11,197	14.6%	1,632	17.1%	1,917
Arizona	216,029	14.6%	31,482	17.1%	36,977
Arkansas	110,646	14.6%	16,124	17.1%	18,939
California	0	14.6%	0	17.1%	0
Colorado	130,447	14.6%	19,010	17.1%	22,328
Connecticut	76,821	14.6%	11,195	17.1%	13,149
Delaware	21,273	14.6%	3,100	17.1%	3,641
DC	0	14.6%	0	17.1%	0
Florida	641,279	14.6%	93,453	17.1%	109,757
Georgia	279,371	14.6%	40,712	17.1%	47,819
Hawaii	19,713	14.6%	2,873	17.1%	3,374
Idaho	0	14.6%	0	17.1%	0
Illinois	302,609	14.6%	44,099	17.1%	51,797
Indiana	186,749	14.6%	27,215	17.1%	31,966
Iowa	86,752	14.6%	12,642	17.1%	14,849
Kansas	119,307	14.6%	17,386	17.1%	20,422
Kentucky	171,577	14.6%	25,004	17.1%	29,368
Louisiana	194,478	14.6%	28,341	17.1%	33,288
Maine	26,675	14.6%	3,887	17.1%	4,566
Maryland	178,094	14.6%	25,953	17.1%	30,484
Massachusetts	207,828	14.6%	30,287	17.1%	35,574
Michigan	0	14.6%	0	17.1%	0
Minnesota	134,434	14.6%	19,591	17.1%	23,011
Mississippi	107,215	14.6%	15,624	17.1%	18,352
Missouri	71,526	14.6%	10,423	17.1%	12,243
Montana	51,837	14.6%	7,554	17.1%	8,873
Nebraska	68,573	14.6%	9,993	17.1%	11,737
Nevada	0	14.6%	0	17.1%	0
New Hampshire	24,420	14.6%	3,559	17.1%	4,180
New Jersey	258,801	14.6%	37,715	17.1%	44,299
New Mexico	111,995	14.6%	16,321	17.1%	19,170
New York	565,965	14.6%	82,477	17.1%	96,875
North Carolina	292,644	14.6%	42,647	17.1%	50,091
North Dakota	37,179	14.6%	5,418	17.1%	6,364
Ohio	300,722	14.6%	43,824	17.1%	51,474
Oklahoma	144,600	14.6%	21,072	17.1%	24,751
Oregon	0	14.6%	0	17.1%	0
Pennsylvania	258,698	14.6%	37,698	17.1%	44,279
Rhode Island	30,442	14.6%	4,436	17.1%	5,211
South Carolina	150,931	14.6%	21,995	17.1%	25,835
South Dakota	17,171	14.6%	2,502	17.1%	2,939
Tennessee	33,248	14.6%	4,845	17.1%	5,691
Texas	114,380	14.6%	16,668	17.1%	19,579
Utah	0	14.6%	0	17.1%	0
Vermont	0	14.6%	0	17.1%	0
Virginia	224,939	14.6%	32,780	17.1%	38,502
Washington	206,538	14.6%	30,098	17.1%	35,353
West Virginia	100,973	14.6%	14,715	17.1%	17,283
Wisconsin	132,700	14.6%	19,338	17.1%	22,714
Wyoming	22,038	14.6%	3,212	17.1%	3,772
Nationwide	6,634,000	14.6%	967,000	17.1%	1,136,000

Section 2: Change to baseline: effects from the new policy
Table 2.G
Logit regression results: Would a 1.35 Poverty Level Criterion for Lifeline increase telephone penetration?

Logistic regression analysis[1]

Dependent side variable: Does the household have telephone service?				
Independent side variables	Coefficient value	Wald statistic	P-Value	Statistically significant
State has 1.33 or 1.5 poverty level criterion for Lifeline[2]	0.189	4.52	0.03	Yes
Income (000s)	0.032	30.85	0.00	Yes
Household is a mobile home	-0.753	47.27	0.00	Yes
Household is owned, not rented	0.728	81.44	0.00	Yes
Percentage of householders who have lived there one year	0.521	45.93	0.00	Yes
Someone in the household is on food stamps	-0.326	20.33	0.00	Yes
Constant	1.091	160.89	0.00	Yes

Conclusion: Yes, the coefficient on "State has 1.35 or 1.5 poverty level criterion for Lifeline" is statistically significant.

[1] For more information on the logistic regression, see Appendix 2.

[2] This study assumes that the effects of a 1.33 and a 1.35 Poverty Level Criterion would not be statistically different.

Section 2: Change to baseline: effects from the new policy

Table 2.H

Using the logit regression results: Calculating the number of households that
would have taken telephone service with a nationwide 1.35 PLC in 2000

Variable	a (Table 2.G) Coefficient value	b (CPSH) Means for households with income less than 1.35 poverty level	c=a*b Partial effect	d (CPSH) Means (Same as column b except assumes all states adopt 1.35 PLC[1])	e=a*d Partial effect if all states implement 1.35 PLC for Lifeline
State has 1.35 or 1.5 criteria for LL	0.189	0.191	0.036	1.000	0.189
Income (dollar values in 000s)	0.032	9.873	0.316	9.873	0.316
Lives in a mobile home	-0.753	0.083	-0.063	0.083	-0.063
Owns home	0.728	0.424	0.309	0.424	0.309
Percent HH lived there one year	0.521	0.801	0.418	0.802	0.418
On food stamps	-0.326	0.252	-0.082	0.252	-0.082
Constant	1.091	1.000	1.091	1.000	1.091
Z = Sum of partial effects			2.025		2.178
Penetration among HH with incomes below 1.35 PLC = $1/(1+e^{-z})$:			88.3%		89.8%
Increase in penetration among HH at or below 1.5 times the poverty line = (89.8% - 88.3%):				1.5% A	

| Year 2000: Households below 1.35 times the poverty level. | | | | 16,621,000 | B (CPSH) |
| Year 2000: Households that would have taken phone service due to Lifeline change: | | | | 247,000 | C=A*B |

| Year 2004: Households below 1.35 times the poverty level.[2] | | | | 17,433,000 | D (CPSH) |
| Year 2004: Households that would have taken phone service due to Lifeline change: | | | | 259,000 | E=A*D |

Notes:

[1] Assumes that states with 1.5 PLC criteria keep it.

[2] Forecasted using CPSH data.

Section 2: Change to baseline: effects from the new policy
Section 2: Estimate changes from new policy
Table 2.I
Breakdown of Lifeline subscribers with a nationwide 1.35 PLC (Year 2000)

	a (Table 2.E) Households that would sign up for Lifeline service due to 1.35 PLC	b (Table 2.H) Households new to telephone service due to 1.35 PLC	c=a-b Households with telephone service that would sign up for Lifeline due to 1.35 PLC
Low range:	928,000	247,000	681,000
High range:	1,090,000	247,000	843,000

Section 2: Change to baseline: effects from the new policy
Table 2.J
Breakdown of Lifeline subscribers with a nationwide 1.35 PLC (Year 2004)

	a (Table 2.F) Households that would sign up for Lifeline service due to 1.35 PLC	b (Table 2.H) Households new to telephone service due to 1.35 PLC	c=a-b Households with telephone service that would sign up for Lifeline due to 1.35 PLC
Low range:	967,000	259,000	708,000
High range:	1,136,000	259,000	877,000

Section 2: Change to baseline: effects from the new policy
Table 2.K
Estimated Lifeline expenditures (Year 2004)

State	a (Table 1.D) Annual federal support per Lifeline subscriber	Low range		High range	
		b (Table 2.F) Forecasted additional HH taking Lifeline	c=a*b Forecasted increased federal Lifeline expenditures	d (Table 2.F) Forecasted additional HH taking Lifeline	e=a*d Forecasted increased federal Lifeline expenditures
Alabama	$120.00	27,935	$3,352,194	32,812	$3,937,383
Alaska	$120.00	1,632	$195,796	1,917	$229,975
Arizona	$99.67	31,482	$3,137,619	36,977	$3,685,349
Arkansas	$99.00	16,124	$1,596,298	18,939	$1,874,963
California	$100.02	0	$0	0	$0
Colorado	$120.00	19,010	$2,281,175	22,328	$2,679,397
Connecticut	$96.26	11,195	$1,077,687	13,149	$1,265,818
Delaware	$98.04	3,100	$303,937	3,641	$356,995
DC	$87.84	0	$0	0	$0
Florida	$120.00	93,453	$11,214,323	109,767	$13,171,996
Georgia	$120.00	40,712	$4,885,492	47,819	$5,738,347
Hawaii	$99.00	2,873	$284,407	3,374	$334,056
Idaho	$118.92	0	$0	0	$0
Illinois	$89.01	44,099	$3,925,076	51,797	$4,610,273
Indiana	$89.39	27,215	$2,432,783	31,966	$2,857,472
Iowa	$83.48	12,642	$1,055,378	14,849	$1,239,614
Kansas	$105.87	17,386	$1,840,781	20,422	$2,162,124
Kentucky	$118.29	25,004	$2,957,764	29,368	$3,474,098
Louisiana	$99.00	28,341	$2,805,772	33,288	$3,295,572
Maine	$119.19	3,887	$463,338	4,566	$544,222
Maryland	$109.33	25,953	$2,837,507	30,484	$3,332,847
Massachusetts	$119.04	30,287	$3,605,319	35,574	$4,234,696
Michigan	$98.54	0	$0	0	$0
Minnesota	$84.44	19,591	$1,654,332	23,011	$1,943,127
Mississippi	$120.00	15,624	$1,874,901	18,352	$2,202,200
Missouri	$84.97	10,423	$885,658	12,243	$1,040,266
Montana	$120.00	7,554	$906,495	8,873	$1,064,741
Nebraska	$113.15	9,993	$1,130,729	11,737	$1,328,119
Nevada	$94.49	0	$0	0	$0
New Hampshire	$98.08	3,559	$349,034	4,180	$409,965
New Jersey	$95.45	37,715	$3,599,991	44,299	$4,228,437
New Mexico	$120.00	16,321	$1,958,495	19,170	$2,300,387
New York	$117.99	82,477	$9,731,711	96,875	$11,430,566
North Carolina	$116.61	42,647	$4,973,195	50,091	$5,841,361
North Dakota	$120.00	5,418	$650,165	6,364	$763,663
Ohio	$87.99	43,824	$3,856,130	51,474	$4,529,290
Oklahoma	$93.36	21,072	$1,967,348	24,751	$2,310,786
Oregon	$120.00	0	$0	0	$0
Pennsylvania	$108.32	37,698	$4,083,407	44,279	$4,796,243
Rhode Island	$119.04	4,436	$528,085	5,211	$620,272
South Carolina	$119.72	21,995	$2,633,247	25,835	$3,092,930
South Dakota	$98.47	2,502	$246,405	2,939	$289,420
Tennessee	$118.70	4,845	$575,105	5,691	$675,501
Texas	$106.81	16,668	$1,780,407	19,578	$2,091,211
Utah	$119.22	0	$0	0	$0
Vermont	$119.20	0	$0	0	$0
Virginia	$113.22	32,780	$3,711,461	38,502	$4,359,367
Washington	$115.40	30,098	$3,473,327	35,353	$4,079,652
West Virginia	$111.00	14,715	$1,633,371	17,283	$1,918,507
Wisconsin	$92.68	19,338	$1,792,256	22,714	$2,105,128
Wyoming	$120.01	3,212	$385,403	3,772	$452,683
Nationwide	Not applicable	967,000	$105,000,000	1,136,000	$123,000,000

Section 3: New policy: new levels resulting from a 1.35 PLC (as of July 1, 2004)

Table 3.A

Forecasted new Lifeline subscribers (Year 2004)

			Low range		High range	
	a (Table 1.C)	b (Table 1.C)	c (Table 2.F)	d=b+c	e (Table 2.F)	f=b+e
State	Forecasted households	Forecasted baseline households taking Lifeline	Additional LL takers due to 1.35 PLC	New total households taking Lifeline	Additional LL takers due to 1.35 PLC	New total households taking Lifeline
Alabama	1,784,655	25,732	27,935	53,667	32,812	58,544
Alaska	189,279	21,505	1,632	23,137	1,917	23,422
Arizona	2,100,528	79,320	31,482	110,801	36,977	116,297
Arkansas	1,073,633	10,351	16,124	26,475	18,939	29,290
California	13,512,478	3,434,082	0	3,434,082	0	3,434,082
Colorado	1,707,313	30,759	19,010	49,769	22,328	53,087
Connecticut	1,323,751	58,972	11,195	70,167	13,149	72,121
Delaware	328,809	2,255	3,100	5,355	3,641	5,896
DC	261,706	14,325	0	14,325	0	14,325
Florida	6,173,667	143,921	93,453	237,374	109,767	253,688
Georgia	3,151,149	70,764	40,712	111,476	47,819	118,583
Hawaii	405,787	14,012	2,873	16,885	3,374	17,387
Idaho	538,227	29,392	0	29,392	0	29,392
Illinois	4,809,640	89,625	44,099	133,724	51,797	141,422
Indiana	2,391,601	41,190	27,215	68,405	31,966	73,156
Iowa	1,183,942	18,101	12,642	30,743	14,849	32,950
Kansas	1,097,042	14,151	17,386	31,537	20,422	34,572
Kentucky	1,598,049	61,789	25,004	86,793	29,368	91,157
Louisiana	1,527,772	20,654	28,341	48,995	33,288	53,943
Maine	459,171	81,837	3,887	85,724	4,566	86,403
Maryland	2,095,840	4,139	25,953	30,093	30,484	34,623
Massachusetts	2,634,625	170,664	30,287	200,950	35,574	206,238
Michigan	3,588,965	116,595	0	116,595	0	116,595
Minnesota	2,005,000	49,703	19,591	69,294	23,011	72,714
Mississippi	1,054,673	22,746	15,624	38,370	18,352	41,097
Missouri	2,320,481	34,559	10,423	44,982	12,243	46,802
Montana	359,545	15,878	7,554	23,432	8,873	24,751
Nebraska	679,171	15,565	9,993	25,558	11,737	27,302
Nevada	706,092	37,854	0	37,854	0	37,854
New Hampshire	497,733	7,526	3,559	11,085	4,180	11,706
New Jersey	3,370,004	49,334	37,715	87,049	44,299	93,632
New Mexico	713,173	49,055	16,321	65,376	19,170	68,225
New York	7,191,899	506,706	82,477	589,183	96,875	603,581
North Carolina	3,081,512	101,953	42,647	144,600	50,091	152,045
North Dakota	265,131	19,574	5,418	24,992	6,364	25,938
Ohio	4,730,200	286,644	43,824	330,468	51,474	338,118
Oklahoma	1,357,881	118,442	21,072	139,514	24,751	143,193
Oregon	1,481,615	38,427	0	38,427	0	38,427
Pennsylvania	4,680,767	94,991	37,698	132,689	44,279	139,270
Rhode Island	356,397	44,058	4,436	48,494	5,211	49,269
South Carolina	1,770,840	23,482	21,995	45,477	25,835	49,317
South Dakota	273,920	26,693	2,502	29,196	2,939	29,632
Tennessee	2,052,967	47,906	4,845	52,751	5,691	53,597
Texas	8,139,467	451,642	16,668	468,311	19,578	471,220
Utah	685,599	19,762	0	19,762	0	19,762
Vermont	230,202	29,212	0	29,212	0	29,212
Virginia	2,793,789	21,333	32,780	54,113	38,503	59,836
Washington	2,493,848	86,983	30,098	117,081	35,353	122,336
West Virginia	786,384	5,010	14,715	19,725	17,283	22,294
Wisconsin	1,875,267	65,376	19,338	84,714	22,714	88,090
Wyoming	207,522	2,212	3,212	5,424	3,772	5,985
Nationwide	110,099,000	6,827,000	967,000	7,794,000	1,136,000	7,963,000

31

Section 3: New policy: new levels resulting from a 1.35 PLC (as of July 1, 2004)

Table 3.B

Forecasted new Lifeline expenditures (Year 2004)

State	a (Table 1.D) Annual federal Lifeline expenditures without 1.35 PLC	Low range		High range	
		b (Table 2.K) Additional federal Lifeline expenditures with 1.35 PLC	c=a*b Total federal Lifeline expenditures with 1.35 PLC	d (Table 2.K) Additional federal Lifeline expenditures with 1.35 PLC	c=a*d Total federal Lifeline expenditures with 1.35 PLC
Alabama	$3,087,836	$3,352,194	$6,440,030	$3,937,383	$7,025,219
Alaska	$2,580,554	$195,796	$2,776,350	$229,975	$2,810,530
Arizona	$7,905,402	$3,137,619	$11,043,020	$3,685,349	$11,590,751
Arkansas	$1,024,729	$1,596,298	$2,621,027	$1,874,963	$2,899,691
California	$343,490,485	$0	$343,490,485	$0	$343,490,485
Colorado	$3,691,050	$2,281,175	$5,972,225	$2,679,397	$6,370,448
Connecticut	$5,676,889	$1,077,687	$6,754,576	$1,265,818	$6,942,707
Delaware	$221,051	$303,937	$524,988	$356,995	$578,045
DC	$1,258,269	$0	$1,258,269	$0	$1,258,269
Florida	$17,270,546	$11,214,323	$28,484,870	$13,171,996	$30,442,542
Georgia	$8,491,683	$4,885,492	$13,377,175	$5,738,347	$14,230,030
Hawaii	$1,387,216	$284,407	$1,671,622	$334,056	$1,721,271
Idaho	$3,495,190	$0	$3,495,190	$0	$3,495,190
Illinois	$7,977,186	$3,925,076	$11,902,262	$4,610,273	$12,587,459
Indiana	$3,682,115	$2,432,783	$6,114,898	$2,857,472	$6,539,587
Iowa	$1,511,046	$1,055,378	$2,566,424	$1,239,614	$2,750,660
Kansas	$1,498,204	$1,840,781	$3,338,985	$2,162,124	$3,660,328
Kentucky	$7,309,219	$2,957,764	$10,266,983	$3,474,098	$10,783,317
Louisiana	$2,044,783	$2,805,772	$4,850,555	$3,295,572	$5,340,355
Maine	$9,754,343	$463,338	$10,217,681	$544,222	$10,298,566
Maryland	$452,553	$2,837,507	$3,290,059	$3,332,847	$3,785,400
Massachusetts	$20,315,902	$3,605,319	$23,921,221	$4,234,696	$24,550,598
Michigan	$11,489,535	$0	$11,489,535	$0	$11,489,535
Minnesota	$4,197,110	$1,654,332	$5,851,442	$1,943,127	$6,140,237
Mississippi	$2,729,464	$1,874,901	$4,604,365	$2,202,200	$4,931,664
Missouri	$2,936,422	$885,658	$3,822,080	$1,040,266	$3,976,688
Montana	$1,905,390	$906,495	$2,811,885	$1,064,741	$2,970,131
Nebraska	$1,761,179	$1,130,729	$2,891,908	$1,328,119	$3,089,298
Nevada	$3,576,901	$0	$3,576,901	$0	$3,576,901
New Hampshire	$738,167	$349,034	$1,087,201	$409,965	$1,148,132
New Jersey	$4,709,062	$3,599,991	$8,309,053	$4,228,437	$8,937,499
New Mexico	$5,886,597	$1,958,495	$7,845,092	$2,300,387	$8,186,984
New York	$59,787,604	$9,731,711	$69,519,315	$11,430,566	$71,218,170
North Carolina	$11,889,163	$4,973,195	$16,862,358	$5,841,361	$17,730,524
North Dakota	$2,348,946	$650,165	$2,999,111	$763,663	$3,112,610
Ohio	$25,222,329	$3,856,130	$29,078,458	$4,529,290	$29,751,619
Oklahoma	$11,057,846	$1,967,348	$13,025,194	$2,310,786	$13,368,632
Oregon	$4,611,270	$0	$4,611,270	$0	$4,611,270
Pennsylvania	$10,289,288	$4,083,407	$14,372,695	$4,796,243	$15,085,531
Rhode Island	$5,244,688	$528,085	$5,772,773	$620,272	$5,864,960
South Carolina	$2,811,320	$2,633,247	$5,444,567	$3,092,930	$5,904,250
South Dakota	$2,628,559	$246,405	$2,874,964	$289,420	$2,917,979
Tennessee	$5,686,235	$575,105	$6,261,340	$675,501	$6,361,736
Texas	$48,241,163	$1,780,407	$50,021,570	$2,091,211	$50,332,374
Utah	$2,356,049	$0	$2,356,049	$0	$2,356,049
Vermont	$3,481,989	$0	$3,481,989	$0	$3,481,989
Virginia	$2,415,418	$3,711,461	$6,126,879	$4,359,367	$6,774,785
Washington	$10,037,727	$3,473,327	$13,511,054	$4,079,662	$14,117,389
West Virginia	$556,172	$1,633,371	$2,189,542	$1,918,507	$2,474,678
Wisconsin	$6,059,047	$1,792,256	$7,851,303	$2,105,128	$8,164,175
Wyoming	$265,505	$385,403	$650,909	$452,683	$718,188
Nationwide	$709,000,000	$105,000,000	$814,000,000	$123,000,000	$832,000,000

32

Table 4.A
Estimated households taking Lifeline if 1.35 PLC were the only criterion

State	a (Table 3.B) Expected households on Lifeline	b (CPSH data) Percentage of households that could not stay[1]	c=a*b Households that could not stay	Low range d (CPSH data) Additional households that would take LL	Low range e=a-c+d Total Lifeline subscribers	High range f=d*e Additional households that would take LL	High range g=a-c+f Total Lifeline subscribers
Alabama	25,732	41.2%	10,598	27,935	43,069	32,812	47,946
Alaska	21,505	77.0%	16,558	1,632	6,579	1,917	6,864
Arizona	79,320	59.8%	47,465	31,482	63,336	36,977	68,832
Arkansas	10,351	40.0%	4,140	16,124	22,335	18,939	25,150
California	3,434,082	0.0%	0	0	3,434,082	0	3,434,082
Colorado	30,759	49.6%	15,242	19,010	34,527	22,328	37,846
Connecticut	58,972	59.7%	35,198	11,195	34,969	13,149	36,923
Delaware	2,255	58.3%	1,316	3,100	4,039	3,641	4,580
District of Columbia	14,325	0.0%	0	0	14,325	0	14,325
Florida	143,921	51.7%	74,425	93,453	162,949	109,767	179,263
Georgia	70,764	49.8%	35,268	40,712	76,209	47,819	83,316
Hawaii	14,012	53.1%	7,442	2,873	9,443	3,374	9,944
Idaho	29,392	21.7%	6,376	0	23,015	0	23,015
Illinois	89,625	47.1%	42,191	44,099	91,533	51,797	99,231
Indiana	41,190	63.4%	26,118	27,215	42,287	31,966	47,038
Iowa	18,101	47.4%	8,585	12,642	22,158	14,849	24,365
Kansas	14,151	46.2%	6,540	17,386	24,997	20,422	28,032
Kentucky	61,789	37.4%	23,087	25,004	63,706	29,368	68,071
Louisiana	20,654	47.8%	9,875	28,341	39,120	33,288	44,068
Maine	81,837	48.2%	39,422	3,887	46,302	4,566	46,981
Maryland	4,139	36.5%	1,512	25,953	28,581	30,484	33,111
Massachusetts	170,664	54.2%	92,578	30,287	108,373	35,574	113,660
Michigan	116,595	0.0%	0	0	116,595	0	116,595
Minnesota	49,703	54.3%	26,985	19,591	42,309	23,011	45,729
Mississippi	22,746	36.7%	8,354	15,624	30,016	18,352	32,744
Missouri	34,559	24.0%	8,281	10,423	36,702	12,243	38,522
Montana	15,878	52.0%	8,258	7,554	15,174	8,873	16,493
Nebraska	15,565	50.5%	7,860	9,993	17,697	11,737	19,442
Nevada	37,854	0.0%	0	0	37,854	0	37,854
New Hampshire	7,526	60.4%	4,546	3,559	6,539	4,180	7,161
New Jersey	49,334	56.5%	27,895	37,715	59,153	44,299	65,737
New Mexico	49,055	51.4%	25,219	16,321	40,157	19,170	43,006
New York	506,706	45.9%	232,596	82,477	356,588	96,875	370,986
North Carolina	101,953	42.4%	43,277	42,647	101,323	50,091	108,768
North Dakota	19,574	53.2%	10,418	5,418	14,575	6,364	15,521
Ohio	286,644	45.3%	129,953	43,824	200,515	51,474	208,166
Oklahoma	118,442	49.0%	58,075	21,072	81,439	24,751	85,117
Oregon	38,427	36.7%	14,094	0	24,334	0	24,334
Pennsylvania	94,991	19.9%	18,923	37,698	113,766	44,279	120,347
Rhode Island	44,058	47.0%	20,726	4,436	27,769	5,211	28,543
South Carolina	23,482	47.1%	11,069	21,995	34,408	25,835	38,248
South Dakota	26,693	55.4%	14,775	2,502	14,420	2,939	14,857
Tennessee	47,906	39.5%	18,932	4,845	33,819	5,691	34,664
Texas	451,642	29.0%	131,121	16,668	337,190	19,578	340,099
Utah	19,762	44.2%	8,736	0	11,026	0	11,026
Vermont	29,212	0.0%	0	0	29,212	0	29,212
Virginia	21,333	56.4%	12,028	32,780	42,086	38,502	47,808
Washington	86,983	61.6%	53,577	30,098	63,504	35,353	68,758
West Virginia	5,010	39.2%	1,965	14,715	17,760	17,283	20,328
Wisconsin	65,376	54.2%	35,403	19,338	49,311	22,714	52,687
Wyoming	2,212	51.4%	1,138	3,212	4,286	3,772	4,846
Nationwide	6,827,000	18.8%	1,438,000	967,000	6,355,000	1,136,000	6,524,000

[1] It is assumed that states with a 1.5 PLC (marked by asterisk) keep it.

Technical Appendix 1

Background information for Table 2.C (Would Lifeline take rates increase due to a nationwide implementation of a 1.35 PLC?)

Below are the two regression results that are used to determine the effect that a nationwide implementation of a 1.35 poverty level criterion would have on Lifeline subscribership.

Regression 1 – Lifeline specification 1.

The regression model calculated from the data is

$\%HHBelowOnePtFiveTakingLifeline =$
$-0.02 + 0.58 \times IncElgAbv125 + 1.04 \times California + 0.0167 \times TotSup.$

Explanation of variables for Lifeline regression specification 1.

The dependent variable is the number of households taking Lifeline divided by the number of households that are at or below 1.5 times the poverty level[1] (%HHBelowOnePtFiveTakingLifeline). For example, Texas had 263,934 Lifeline subscribers in 2000, and 1,575,172 households at or below 1.5 times the poverty line. The dependent variable data point for Texas therefore equals 0.15 (=263,934/1,348,089).

The first Independent Variable is IncEligAbv125. For each state, IncEligAbv125 equals that state's income eligibility level (if it has one) minus 1.25. So, for California, which has an income eligibility criterion of 1.5 times the poverty level, IncEligAbv125 equals 0.25 (= 1.5 – 1.25). For states with an income eligibility criterion at or below 1.25 times the poverty level, or for states without an income criterion, IncEligAbv125 equals 0. So, for Texas, which has an income eligibility criterion of 1.25 times the poverty level, IncEligAbv125 equals 0. The coefficient on this variable allows us to predict the number of households that would take Lifeline if a 1.35 PLC were adopted.

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[1] The federal government establishes the poverty level threshold, which is based on the number of people living in the household, and whether the household is in the mainland United States, Alaska, or Hawaii. The Current Population Survey of Households (CPSH) data conveniently list the poverty level for each family in the family record portion of the data.

So for Texas, and other states with a 1.25 PLC (and for states without an income-based criterion), the new policy would increase the independent variable from 0.25 to 0.35, or by 0.1, and the dependent variable would increase 5.8 percentage points. The percentage point increase in percentage of households at or below 1.5 times the poverty level that take Lifeline because of a 1.35 PLC were implemented would be 5.8%.

$$= 0.58 * 0.1 = 0.058 \text{ or } 5.8\%. \text{[2]}$$

The second Independent Variable is "California". In statistical terms, this is called a "dummy" variable, and equals 1 if the state is California, and is 0 otherwise. A dummy variable is often used in regression analysis to quantify specific effects. California is the only state using self-certification with an income-based criterion, and it appears to have more households taking Lifeline than the CPSH data would indicate are eligible for it. Therefore, singling out California with a dummy variable to measure a California-specific effect is warranted.

The variable "TotSup" is the amount of monthly telephone service support that Lifeline subscribers in each state receive (TotSup). The amount of total support that households receive varies with the local telephone carrier. For each state, TotSup is the amount of support from the largest carrier in that state. For example, in Texas, Lifeline subscribers in Southwestern Bell territories pay $11.35 per month less for telephone service than regular telephone subscribers. Therefore, the TotSup datapoint for Texas is $11.35. The more support that eligible households can receive, the more incentive they have to take Lifeline.

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[2] The coefficient 0.58 is used to calculate the number of additional households that would take Lifeline with a 1.35 PLC. It is multiplied by the number of households at or below 1.5 times the poverty level (i.e., from 0.0 to 1.5 times the poverty level). Even though those households between 1.35 and 1.5 times the poverty level would not actually qualify for Lifeline, the model coefficient is estimated in such a way that a correct prediction is made.

Regression 2 – Lifeline specification 2.

%HHBelowOnePtFiveTakingLifeline =
0.14 + 0.68 x IncElgAbv125 + 1.04 x California

When comparing the two specifications, this one suggests that more households would take Lifeline because the coefficient 0.68 is greater than the 0.58 coefficient in Regression 1. So for Texas, and other states with a 1.25 PLC, and for states without an income criterion, the percentage point increase in the percentage of households at or below 1.5 times the poverty level that would take Lifeline because of a 1.35 PLC is 6.8%.

= 0.68 *x 0.1 = 0.068 or 6.8%.

Additional information about Lifeline regression specifications 1 and 2:

Data sources

The data are from the Current Population Survey of Households (CPSH) (March 2000 data), the *Universal Service Monitoring Report* (Oct. 2002) and www.lifelinesupport.org. The CPSH data are used to determine the number of households at or below 1.5 times the poverty level in each state. The *Universal Service Monitoring Report* was used to determine the number of households on Lifeline and the total support (number of dollars) that Lifeline subscribers received in each state. The website www.lifelinesupport.org was used to determine which states had income criteria for Lifeline, and the multiple of the Federal Poverty Guidelines that was required to be eligible for Lifeline in those states.

Data are aggregated to the state level.

CPSH has data for thousands of households, including whether the household has telephone service or not. If it were possible to do so, it would be best to conduct the analysis at the household level to maximize the number of observations and to account for several demographic factors. Unfortunately, CPSH data do not report whether the household is receiving the Lifeline subsidy. Therefore, individual data observations could not directly be used for the estimation. These regressions

36

therefore use data that have been aggregated to the state level. This means there is a single data point constructed for each state. The number of Lifeline subscribers for each state is available from the *Universal Service Monitoring Report*, however, so the CPSH data are aggregated to the state level. The number of households that are at or below 1.5 times the poverty level in a particular state is determined by summing the statistical weight of each household at or below 1.5 times the poverty level (the statistical weight for each household is determined by the Bureau of Labor Statistics), and dividing by 100. (The statistical weights add up to 100 times the number of households in the state, so dividing by 100 is a necessary step.)

Additional information on regression specification

The dependent variable: %HHBelowOnePtFiveTakingLifeline.

As mentioned above, the dependent variable is the number of households taking Lifeline divided by the number of households that are at or below 1.5 times the poverty level. The dependent variable should be a measure of participation rate, and this requires a measure of takers and a measure of eligibility. An ideal measure would have been the number of households taking Lifeline divided by the total number of households that are eligible. Obtaining a measure of number of eligible households in each state is not possible, as will be explained below, so a surrogate measure "number of households that are at or below 1.5 times the poverty level" is used in its place. As long as the resulting surrogate participation rate is consistent across states, and used properly, the resulting analysis is correct.

The surrogate is necessary because of a measurement problem. There are several states where it is difficult to measure the number of households that are eligible for Lifeline. This happens most often when states use state-specific programs as eligibility criteria. Because the CPSH survey does not ask about every possible welfare program, the CPSH data cannot always be used to determine if a household is eligible for Lifeline or not.

37

Therefore, an alternative dependent variable was needed. The number of households below 1.5 times the poverty level is a reasonable proximate measure of support need. So, instead of dividing the number of households taking Lifeline by the number of households eligible for Lifeline, the dependent variable in this analysis is the number of households taking Lifeline divided by the number of households that are at or below 1.5 times the poverty level. The 1.5 times the poverty level threshold was chosen because it was the highest poverty level criterion used by any state, and it was used by several states.

The principal independent variable: **IncEligAbv125**

As mentioned above, IncEligAbv125 equals that state's income eligibility level (if it has one) minus 1.25. If the state has no income eligibility criterion, or if it has one that is less than 1.25 times the poverty level, then the datapoint equals zero for that state.

The main objective of the regression analysis is to quantify the number of additional households that will subscribe to Lifeline with the implementation of an income-based eligibility criterion. Generally, states using higher multiples of the poverty level as an eligibility criterion have higher Lifeline participation rates than states using lower multiples of the poverty level criteria (or states using no income based criterion at all). The coefficient on IncEligAbv125 is used to predict the number of households that would take Lifeline due to a 1.35 PLC.

Preliminary modeling indicated that a nationwide implementation of an income criterion set at or below 1.25 times the poverty level would not increase the number of households taking Lifeline by a statistically significant amount. Because some states use lower multiples of the poverty level to determine Lifeline eligibility, one would expect that using a higher multiple of the poverty level would increase the number of households eligible for Lifeline in those states. However, basing this independent variable on lower multiples of the poverty level did not produce statistically significant results.

Discussion

Discussion of independent variables:

"California" is significant in both regressions (indeed, it was significant for all regression specifications in which it is included).

"TotSup" is positive, but is not significant. It is nearly significant, however. Further, there is strong economic reason to include it, because it measures a household's incentive to take Lifeline, so it should not be eliminated from the model without good reason.

"IncEligAbv125" is significant in both regressions, but the size of the coefficient varies, and it is just barely significant (at the 10% level) when TotSup is included. Other specifications of the model were run that included whether each state had a particular program as an eligibility criteria. Throughout most of the trial specifications, the coefficient of IncEligAbv125 ranged between the two values presented in this report and remained significant. Therefore, the analyses presented in this report are very robust.

Low-income Home Energy Assistance Program (LIHEAP)

Other trial variables are tested in the regression analysis, but for the reasons listed below, these trials are not adopted. However, when the regression included whether the state had energy assistance as a method for qualifying for Lifeline, the coefficient on IncEligAbv125 dropped 40% and was not even close to being significant. This trial regression model is contrary to sound economics for two reasons.

First, if the results were accurate, it would indicate that there would be no significant additional Lifeline subscribership with the implementation of a 1.35 PLC. This is not plausible, because the logistic regression analysis (see Appendix 2) indicates that a 1.35 PLC would significantly increase the number of households taking telephone service. Because we find strong evidence that a 1.35 PLC would increase telephone subscribership, a similar impact on Lifeline subscribership is also expected.

Second, if the coefficient on IncEligAbv125 from the Lifeline Regression were plugged into the model, it would indicate that just 10% of those households that

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would become eligible would take Lifeline service, which seems far too low. Currently, over 30% of eligible households take Lifeline service. While the percentage of eligible households that would take Lifeline would surely decrease as eligibility requirements were eased, there is no reason to believe that it would drop by more than 2/3. Thus, adding a variable quantifying whether the state has energy assistance as an eligibility requirement leads to results that are not consistent with economic theory. That trial regression is therefore not used.[3]

Given that the coefficient on IncEligAbv125 ranges between 0.582 and 0.682 in all the other trial regressions, that range is used in this study. Table 2.D uses the results from the regression analysis to quantify the number of households that would take Lifeline as a result of a 1.35 PLC.

OLS regression was used using the statistical computer program Stata 7.0. The regression outputs (below) show the significance of each coefficient.

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[3] We note that there is some multicollinearity between the energy assistance variable and TotSup. As a practical matter, if energy assistance is included in the regression and TotSup is removed, then the coefficient on IncElgAbv125 returns to normal levels and is significant.

========= Regression output =========

. reg   %HHBelowOnePtFiveTakingLifeline   IncElgAbv125 California TotSup

Source	SS	df	MS
Model	1.5914109	3	.530470301
Residual	1.26974251	47	.027015798
Total	2.86115341	50	.057223068

Number of obs = 51
F(3,   47) = 19.64
Prob > F   = 0.0000
R-squared   = 0.5562
Adj R-squared = 0.5279
Root MSE   = .16436

	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]
IncElgAbv125	.5815073	.3422222	1.70	0.096	-.106955 1.26997
California	1.040881	.1825073	5.70	0.000	.6737233 1.408038
TotSup	.0166981	.0102551	1.63	0.110	-.0039326 .0373288
Constant	-.0220947	.1013846	-0.22	0.828	-.2260543 .1818648

reg   %HHBelowOnePtFiveTakingLifeline   IncElgAbv125 California

Source	SS	df	MS
Model	1.51978515	2	.759892577
Residual	1.34136826	48	.027945172
Total	2.86115341	50	.057223068

Number of obs = 51
F(2,   48) = 27.19
Prob > F   = 0.0000
R-squared   = 0.5312
Adj R-squared = 0.5116
Root MSE   = .16717

	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]
IncElgAbv125	.682112	.3423391	1.99	0.052	-.006207 1.370431
California	1.045145	.1856009	5.63	0.000	.6719696 1.418321
Constant	.1380132	.0251194	5.49	0.000	.0875073 .1885192

Technical Appendix 2

Background information for Table 2.G
(Would a 1.35 PLC for Lifeline increase telephone penetration?)

Below are the results of two logistic regressions. They show the effects that a 1.35 PLC for Lifeline has on telephone subscribership. Logistic regression 1 was used for the study. Logistic regression 2 tested whether California's self-certification process for income-based eligibility increased telephone penetration among low-income households.

Logistic regression 1 — Telephone Specification 1:

$$Y = 1 / (1 + e^{-[1.09 + 0.189*X1 + -.753*X2 + .728*X3 + .521*X4 + .032*X5 + 0.326*X6]})$$

Explanation of variables for Telephone Specification 1.

Dependent variable:

Does the household have telephone service? (Y = H_TELHHD)

The dependent variable is whether the low-income household has telephone service. The data point for a household equals one if the household has telephone service, and equals zero otherwise. The dataset is comprised of data from only those households with incomes at or below 1.5 times the poverty level.

Independent variables:

Is the household in a state with a 1.35 or less restrictive poverty level criterion? (X₁ = SH135BET)

$(X_1 = SH135BET)$

If the household is in a state that uses a 1.35 PLC for Lifeline (or if the state uses a higher multiple of the poverty level), then SH135BET equals one for that data point; otherwise, it equals zero. Because the sample is restricted to only those households that are at or below 1.35 times the poverty level, all data points for this

variable will be either a "0" or "1". Of these low-income households, 19.1 percent live in a state with a 1.35 to 1.5 PLC, and the independent variable SH135BET equals 1 for these households. For the other 80.9 percent, the independent variable SH135BET value equals 0.

This is the only independent variable used in the cost/benefit analysis, and therefore the accuracy of its coefficient is of most concern. The coefficient on this variable (0.189) is later used to quantify the increased probability that a low-income household will take telephone service (or fraction of) as the result of a 1.35 PLC.

This quantification is accomplished as follows: When X_1 is changed, Y will change. For an individual household, the change of X_1 from 0 to 1 models the effect of implementing a 1.35 PLC for that particular household. When modeling the change nationally, X_1 is changed from .191 (19.1%, which reflects the fact that 19.1 percent of the sample households already live in a state with a 1.35 PLC) to 1. As a result, Y changes according to Logistic regression 1 above (Y is interpreted as a percentage—or probability—of households with telephone subscribership, and ranges from 0 to 1). When we change the "baseline" 19.1 percent of low-income households (living in a state with a 1.35 PLC) to the "new policy" 100.0 percent, then predicted telephone subscribership among sample households increases from 88.3 percent to 89.8 percent.

Is the household a mobile home? (X_2 = MOBHOME)

If the household is a mobile home, then the MOBHOME equals one for that datapoint; otherwise, it equals zero.

Is the household owned by the householders? (X_3 = OWNHOME)

If the householders own the home themselves, then OWNHOME for that data point equals 1; otherwise, it equals zero.

Percentage of households who lived at that address for at least one year. (X_4 = PCTONEYEAR)

43

The data points for PCTONEYEAR equal the percentage of the adults in that household that have lived at that address for at least one year.

Total value of household income (X_5 = HTOTVAL)

The data points for each household equal the household's entire annual income including the value of transfer (e.g., welfare) payments.

Is someone in the household on food stamps? (X_6 = HFOODSP)

If someone in the household is on food stamps, then HFOODSP equals one for that data point; otherwise, it equals zero.

For the results of this specification, see page 51, below.

Logistic regression 2 — Telephone Specification 2:

Telephone Specification 2 includes all the variables from specification 1, and includes the variable California.

California. (CALIF)

If the household is in California, the variable equals one, otherwise, it equals zero.

For the results of this specification, see page 52, below.

Additional information about specifications 1 and 2

Price

None of the logistic regression specifications include the price of telephone service. This is because the price that each household faces is unknown. Different carriers offer service at different prices, and even within the same carrier, the price of telephone service varies from city to city. Because the carrier that would serve each household is unknown, price cannot be included in the logistic regressions. Earlier research has shown that omitting the price of telephone service does not affect the coefficients of the other variables in this logistic regression. This is

44

because the coefficient on price would be tiny, so any "missing variable" bias would also be tiny.[4]

Data sources

The data in this analysis are from the Current Population Survey of Households (CPSH) from March 2000. CPSH data contain information on over 50,000 households. From these data, the relevant demographic information are extracted for analysis, including: 1) whether the household has telephone service, 2) household's total income (including the value of transfer payments), 3) the poverty level for that household (i.e., household earnings divided by state definition of poverty-level income), 4) the state the household lives in, 5) whether the household dwelling is owned or rented, 6) the number of adult members that live in the household for at least one year, 7) the number of adults living in the household, and 8) the list of subsidies the household receives, which included Federal Public Housing Assistance (Section 8), Food Stamps, LIHEAP, Medicaid, and Supplemental Security Income. The CPSH data also includes information on whether or not the household has telephone service.

Household-level data are used

All the information is available for each household, so the analysis is conducted at the household level; aggregating to the state level is unnecessary.

Logistic regression preferred to "standard" OLS regression

Because the dependent variable is binary (a household either has telephone service and is thereby assigned a values of one (1), or it does not and is thereby assigned a value of 0 (zero), logistic regression analysis is preferred to a Linear Probability model using Ordinary Least Squares (OLS). With binary dependent variables, linear regressions can produce erroneous results, such as a household having more

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[4] The formula for calculating the missing variable bias can be found in many textbooks, including William H. Greene, Econometric Analysis, at 402 (3rd ed. 1997). Observation of the equation shows that if the missing variable is uncorrelated with an independent variable, then the coefficient on that independent variable is unbiased. A regression was run to see if telephone prices are correlated with the variable SH135BET. The weighted average price for each of the 41 states for which price data are available was created. The variable price was then regressed on the variable SH135BET. There was no correlation. (*See* Industry Analysis and Technology Division, Wireline Competition Bureau, Federal Communications Commission, *Reference Book*, at 7-8 (2002).

than a 100% probability of taking telephone service, or a household having a negative probability of taking telephone service. Both of these situations are impossible. Logistic regression analysis avoids this problem, and is appropriate for measuring saturation concepts such as telephone penetration. The following graph illustrates the difference between the two approaches. In the following graph (taken from the Internet), "linear probability model" refers to OLS regression results, and Y (ranging from 0 to 1) refers to probability. [5]

Comparing the LP and Logit Models
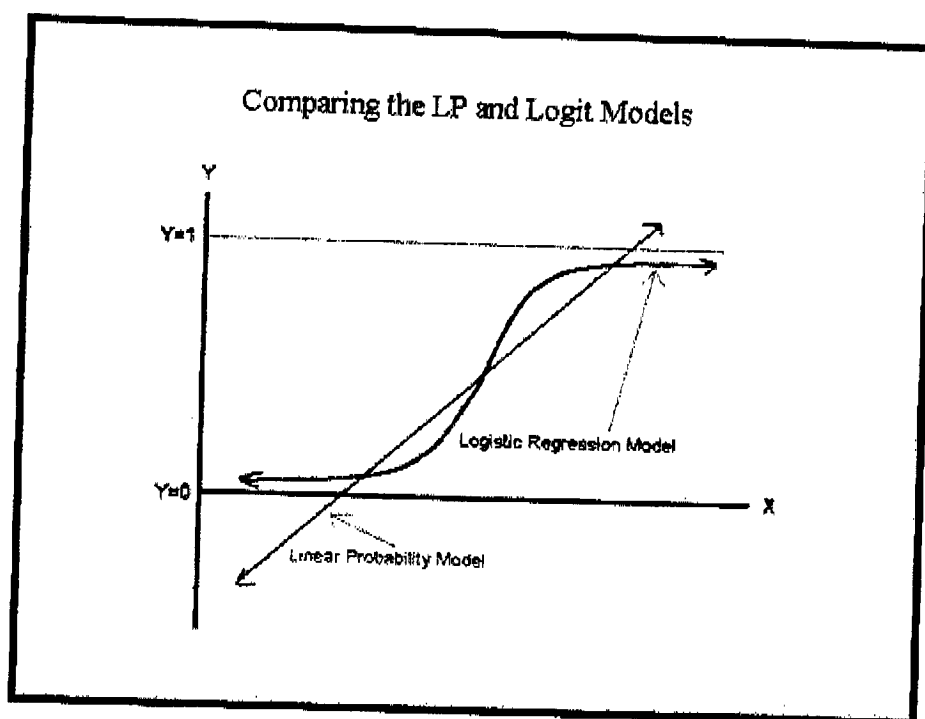
Unfortunately, logistic regressions produce coefficients that are more difficult to interpret than the coefficients that OLS produces. A few additional computations are needed to use the coefficients in the cost-benefit analysis. Therefore, Table 2.H is created, which uses the coefficients from the logistic regression to determine the number of households that would have taken phone service in 2000 and 2004 if a 1.35 poverty level criterion were instituted nationally. The number of households that would take telephone service because of a 1.35 PLC is then compared to the number of households that would take Lifeline in Table 2.I.

Quantifying logistic regression coefficients

[5] For more information on logistic regression analysis, *see* Damodar Gujarati, Basic Econometrics at 481-491 (2nd ed. 1998).

In a standard regression analysis, the effect that a change in the independent variable has on the dependent variable is relatively easy to measure because it is linear. When using standard linear regression, a model is often expressed as follows: $Y = a + b*X$. In this equation, Y represents the dependent variable, "a" represents a constant, and "b" is the coefficient from the regression which is multiplied by the size of the independent variable X. The symbol Δ is often used to represent the change in a variable.

The change in Y caused by a change in X is then represented like this: $\Delta Y = b*\Delta X$. Thus, the change in Y for a change in an independent variable is simply the coefficient on the independent variable times the amount of the change in that independent variable.

Because logistic regression analysis is not linear, however, the above calculation cannot be made directly. Instead, two intermediate calculations must be made. The first calculation quantifies the dependent variable using the mean values of the independent variables. The second calculation quantifies the dependent variable using the same means as in the first calculation, except that one of the independent variables is set to the new policy level. The second calculation replaces the mean of the independent of the variable in question (e.g., a policy variable) with an appropriate value representing the change in the variable. If all states adopted a 1.35 PLC, then the percentage of low income households living in a state with a 1.35 PLC would move from 19.1% to 100%. So, in this case, the mean of SH135BET (which equals 0.191) would be replaced with 1.00.

For both calculations, Y is calculated by the following equation:

$$Y = 1 \ / \ (1 + e^{-[1.09 + 0.189*X_1 + -.753*X_2 + .728*X_3 + .521*X_4 + .032*X_5 + -0.326*X_6]})$$

Table 2.H explains the calculations. The coefficient values from the logistic regression are in column a. The means of the independent variables are in column b. Column c multiplies columns a and b. These products are often called the "partial effects". The partial effects are then summed to create a Z score. The Z score is simply a shorthand way of representing a $+b1*x1 + b2*x2 + ...$ When evaluating the independent variables at their mean values, the Z score equals 2.025. Y (the probability that a household will take telephone service) is then calculated: $Y = 1/(1+e^{-z})$, which equals 88.3%. This means that, nationwide, households with incomes below 1.35 times the poverty level have an 88.3% chance of having telephone service.

47

The second calculation is identical to the first, with one exception. Instead of using the mean value of SH135BET, the mean is replaced by a 1. As discussed above, this would be the case if all states have a 1.35 PLC. Just as before, the coefficients (column a) are multiplied by the means (column d) to produce the new partial effect. Notice that for SH135BET, the mean value of 0.191 was replaced with 1.00. The new partial effects are listed in column E. These partial effects are then summed to form the new Z score, which equals 2.178. This new Z score is then used in the calculation as before: $Y = = 1/(1+e^{-z})$. The new value for Y is 89.8%. This means that if all states adopted a 1.35 PLC, then 89.8% of households with incomes at or below 1.35 times the poverty level would have telephone service. This represents a 1.5 percentage point increase (89.8% - 88.3%) in telephone subscription rates.

To determine the number of households in 2004 that would take phone service due to a 1.35 PLC, the difference in the Y's (1.5%) is multiplied by the number of households that are at or below 1.35 times the poverty level. Projections made using the CPSH data indicate that in 2004, there will be 17,433,000 households at or below 1.35 times the poverty level. Thus, multiplying 1.5% (which equals 0.015) times 17,433,000 households equals 259,000 households. Thus, 259,000 households would take telephone service due to a 1.35 PLC in 2004.

Restricted use of observations and variables

The logistic regression analyses uses only selected observations and variables for good reason. One reason is to address a specific policy proposal from the Joint Board. The Joint Board is recommending using a 1.35 PLC. In order to determine how such a plan would affect households at or below 1.35 times the poverty level, only those households with incomes at or below 1.35 times the poverty level are included in this analysis.[6] There are 8,358 usable observations.

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[6] Alternatively, the sample could be restricted to households at or below 1.33 times the poverty level because there are three states that have a 1.33 PLC. By including households at 1.34 and 1.35 times the poverty level, we are implicitly assuming that those households are eligible for Lifeline even though they just miss qualifying for it. On the other hand, restricting the sample to households at or below 1.33 times the poverty line would exclude many more households from the sample in other states with a 1.5 PLC. It is not clear whether a 1.33 PLC restriction is better than a 1.35 PLC. Fortunately, the results are the same in either case. For both models, the coefficient on SH135BET is virtually identical with either sample restriction.

The number of state specific variables that can be included in the analysis is limited because only 8 states have SH135BET equal to one. Therefore, including additional state specific variables reduces the accuracy of the coefficient SH135BET, the important policy variable used to quantify costs and benefits.

Discussion of variables in the specifications

Assumption that effects of a 1.33 PLC are indistinguishable from a 1.35 PLC

As mentioned earlier, this study assumes that the effects of a 1.33 PLC are statistically indistinguishable from a 1.35 PLC. Therefore, SH135BET equals one for the states that have 1.33 or 1.5 PLCs. There is no alternative to measuring the effect of a 1.35 PLC because no states use a 1.35 PLC.

Further, the fact that this analysis treats states with a 1.5 PLC the same as states with a 1.33 PLC is not problematic. This is because the households in the sample are restricted to those that are at or below 1.35 times the poverty level. Thus, all the households in the sample will make the same economic choice whether the state in which they live has a 1.33 (or 1.35) or 1.50 PLC, because the households qualify for Lifeline under either criterion.

Inclusion of independent variables

HFOODSP was included because it captures the concept of "poverty" in a way that income alone does not. Participation in the Food Stamps Program is an indicator of special household needs. Without a variable like HFOODSP to capture poverty in a way that income alone does not, the coefficient on SH135BET is negative and insignificant, which is counter to a reasonable economic theory of Lifeline effects.

CALIFORNIA-Unique Effects.

The CALIF (California) variable was tested as a separate variable in the second logistic regression because it was included in the Lifeline Model. The hypothesis is that California's policy of using self-certification for income-eligibility could possibly have a unique impact on telephone subscribership that is different than other states. Just as California was singled out in the Lifeline subscribership regressions, one might reason that the unique policy of California should also be reflected in the telephone subscribership analysis. The second logistic regression examines the effects of accounting for California separately.

49

The results indicate that living in California does not have a unique effect on telephone subscribership. The second specification shows that the coefficient on CALIF is not significant, which suggests that California's self-certification policy does not statistically significantly increase telephone subscribership among Californians (compared to other states) with incomes at or below 1.35 times the poverty level.[7]

The inclusion of the variable California in the logistic regression has a large erroneous impact on the primary variable of interest, SH135BET (whether or not the household is in a state with at least a 1.35 poverty level criterion). If the logistic regression includes the variable California, then the coefficient on SH135BET is smaller and not statistically significant.[8] If the variable California is not included in the logistic regression, then the coefficient on SH135BET is larger and statistically significant, as expected. This larger SH135BET coefficient is found because the Lifeline program has a somewhat larger impact on low-income households in California than in other states.

Furthermore, including a CALIF variable would compromise statistical accuracy. Including the CALIF variable would lower the statistical accuracy of the income criterion effect. Half of all households that live in a state with at least a 1.35 poverty level criterion for Lifeline are in California, so accounting for California separately would wrongly remove any influence California observations have on the "national" coefficient for the variable SH135BET. The influence from California observations should be included in the coefficient for SH135BET, and so the 2nd model excluding the California influence (by including a CALIF variable) is not used.

Because there is no compelling reason to account for California separately, and because the coefficient on the variable California is not significant, households in

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[7] Because California has above-expected Lifeline subscribership, one might expect it to have above-expected telephone subscribership among households at or below 1.35 times the poverty level. However, the data does not support this. When responding to the CPSH survey, households have no incentive to misreport their income, so those households in California that report their income as being below the 1.35 times the poverty line most likely really are below that threshold. The result is that California telephone penetration follows that of the other states.

[8] Although the coefficient on SH135BET is still positive, it is not statistically significant. If SH135BET is not statistically significant, then it would be difficult to conclude that states having a 1.35 PLC (or less restrictive poverty level criterion) have any impact on telephone penetration.

California are not singled out in the analysis by including a separate CALIF variable. Thus, the California variable should not be included in the logistic regression.

Total Lifeline support

The variable Total Lifeline support for the household is not included in the final model for two reasons. (See discussion of "TotSup" from Technical Appendix 1.) First, the total support that individuals within a state receive depends on the carrier that would potentially serve them. Thus, although the amount of total support from the largest carrier in the state was chosen, there would be a large number of households for which the variable "TotSup" would contain the wrong amount of support. For the majority of households in the CPSH data, the location of the household is unidentifiable, so the carrier that would potentially serve that household is also unidentifiable.

Second, when the variable "TotSup" was tried in the logistic regression, it proved not significant. When "TotSup" was included, the coefficient on SH135BET was smaller, but was still significant.

The logistic regression was run using the statistical computer program SPSS version 10. The regression analysis computer printouts are displayed below:

Logistic Regression

Case Processing Summary

Unweighted Cases[a]		N	Percent
Selected Cases	Included in Analysis	8358	100.0
	Missing Cases	0	.0
	Total	8358	100.0
Unselected Cases		0	.0
Total		8358	100.0

a. If weight is in effect, see classification table for the total number of cases.

Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	291.862	6	.000
	Block	291.862	6	.000
	Model	291.862	6	.000

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	6138.251	.034	.064

Classification Table[a]

			Predicted		
			H_TELHHD		Percentage Correct
Observed			.00	1.00	
Step 1	H_TELHHD	.00	0	1079	.0
		1.00	0	7279	100.0
	Overall Percentage				87.1

a. The cut value is .500

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	MOBHOME	-.752823	.109	47.273	1	.000	.471
	OWNHOME	.728299	.081	81.442	1	.000	2.072
	PCTONEYR	.521155	.077	45.929	1	.000	1.684
	SH135BET	.189162	.089	4.523	1	.033	1.208
	HTOTVAL	.000032	.000	30.847	1	.000	1.000
	HFOODSP	-.326141	.072	20.325	1	.000	.722
	Constant	1.091223	.086	160.887	1	.000	2.978

a. Variable(s) entered on step 1: MOBHOME, OWNHOME, PCTONEYR, SH135BET, HTOTVAL, HFOODSP.

Logistic Regression

Case Processing Summary

Unweighted Cases[a]		N	Percent
Selected Cases	Included in Analysis	8358	100.0
	Missing Cases	0	.0
	Total	8358	100.0
Unselected Cases		0	.0
Total		8358	100.0

a. If weight is in effect, see classification table for the total number of cases.

Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	293.757	7	.000
	Block	293.757	7	.000
	Model	293.757	7	.000

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	6136.356	.035	.064

Classification Table[a]

			Predicted		
			H_TELHHD		Percentage Correct
Observed			.00	1.00	
Step 1	H_TELHHD	.00	0	1079	.0
		1.00	0	7279	100.0
	Overall Percentage				87.1

a. The cut value is .500

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	MOBHOME	-.748590	.110	46.727	1	.000	.473
	OWNHOME	.734328	.081	82.599	1	.000	2.084
	PCTONEYR	.517551	.077	45.218	1	.000	1.678
	SH135BET	.083355	.116	.520	1	.471	1.087
	HTOTVAL	.000032	.000	29.676	1	.000	1.000
	HFOODSP	-.322910	.072	19.905	1	.000	.724
	CALIF	.222716	.162	1.887	1	.170	1.249
	Constant	1.095058	.086	161.649	1	.000	2.989

a. Variable(s) entered on step 1: MOBHOME, OWNHOME, PCTONEYR, SH135BET, HTOTVAL, HFOODSP, CALIF.

SEPARATE STATEMENT OF
CHAIRMAN BOB ROWE, MONTANA PUBLIC SERVICE COMMISSION

Re: Federal-State Joint Board on Universal Service, Recommended Decision on Low-Income Programs.

This inquiry developed a wealth of good ideas: Good ideas to increase awareness of Lifeline and Link-up; to better match eligibility requirements with need; to increase participation; and to lower transaction costs while preserving accountability. Ultimately, all of these ideas are intended to ensure that the programs better achieve Congress's goals for them.

In very many instances, the Joint Board recommends that this compendium of good ideas be used by the states to tailor programs most appropriate to their specific circumstances. This is very much a prudential, "cooperative federalist" approach to achieving the programs' purposes. It encourages state creativity. To succeed, it will require greater effort and engagement from many states, including my own. Specifically, it will require close coordination between state public utility commissions, state and local human services agencies, the industry, and other stakeholders.

Consistent with cooperative federalism, I hope this recommendation will also stimulate a multi-directional dialogue, with states sharing successful strategies, and reporting back through some efficient medium on their implementation of this recommendation in ways that will provide useful information to the FCC and to others interested.

I am pleased that the Joint Board gave this referral the same close attention it has afforded the other important issues with which it has recently dealt.

SEPARATE STATEMENT OF
COMMISSIONER LILA A. JABER, FLORIDA PUBLIC SERVICE COMMISSION

Re: Federal-State Joint Board on Universal Service, Recommended Decision on Low-Income Programs.

An important aspect of the Federal Communications Commission's (FCC) mission is to ensure that telecommunications services are available to "all the people" of the United States. To that end, the Low-Income Program has been designed to assist eligible economically disadvantaged households that want, but cannot afford, telephone service by discounting services provided by local telephone companies. I believe that this recommended decision, if implemented, will improve the effectiveness of the program by addressing issues relating to sustainability and accountability. I wish to thank my colleagues on this Joint Board for a balanced and well-reasoned recommended decision.

I am optimistic that this recommended decision will ensure that those customers that need assistance will be eligible to receive it by expanding the list of federal eligibility criteria; I support their inclusion. The long-term sustainability of the program requires effective accountability. Several states have taken such steps to ensure program integrity by utilizing automated enrollment procedures both to add eligible households and to remove them when they no longer qualify. I am pleased that this recommended decision has been used to highlight successful strategies that states may consider implementing to improve participation in the program. I am especially encouraged by the recommended decision's proposal that would require states to establish a verification plan. While I have doubts about the use of self-certification as a means of verification, I trust that the flexibility recommended for state implementation will successfully root out any waste, fraud, and abuse that may exist in the program.

SEPARATE STATEMENT OF
BILLY JACK GREGG, DIRECTOR OF THE CONSUMER ADVOCATE DIVISION, PUBLIC SERVICE COMMISSION OF WEST VIRGINIA

Re: Federal-State Joint Board on Universal Service, Recommended Decision on Low-Income Programs.

     According to the Commission's latest report on telephone subscribership, 95.1% of the 109 million households in the United States have telephone service.[1] This is a remarkable achievement, but it still falls short of the goal of universal availability and affordability of service set forth in the 1996 Telecommunications Act. The fact that 95.1% of homes are connected to the telecommunications network means that over 5 million households in our country do not have telephone service. Moreover, this number has remained persistent. Since 1990, the overall number of households and the percentage of households with telephone service have grown, while the number of households without telephone service has continued to range between 4.8 and 6.4 million.[2]

     The Joint Board and the Commission took action in 1997 to address the large number of unconnected households in our nation by expanding the federal Lifeline and Link-Up programs. Since that time 7.4 million households have been added to the telephone network and the percentage of households without phone service has dropped.[3] Unfortunately, in spite of these efforts and the efforts of the individual States, the number of households without phone service remains high.

     Poverty is obviously the primary factor limiting the ability of unconnected households to join the telephone network. Low-income customers are significantly less likely to have telephone service than are other consumers.[4] The federal Lifeline and Link-Up programs provide numerous options to low-income individuals and families to overcome the cost of obtaining and maintaining phone service. The Link-Up program will pay the lion's share of local connection charges and provides for the waiver of all deposit requirements if a customer opts for toll-blocking service. Once a household is connected to the phone system, the Lifeline program provides substantial federal discounts off of normal monthly recurring charges, and encourages states to add discounts of their own. In some cases, these discounts can represent 90% of a regular phone bill. However, federal and state programs to assist in the payment of phone bills are of no use if a low-income customer cannot get phone service because of an outstanding balance for unpaid local and/or long distance service.

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[1] *Telephone Subscribership in the United States*, FCC Wireline Competition Bureau, IAD (Feb. 12, 2003), Table 1, http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/subs0702.pdf.

[2] The number of households without telephone service last topped 6 million in November 2000 and has only dipped below 5 million once, in March 2002. *Id.*, Table 1.

[3] *Id.*, Table 1.

[4] The telephone penetration rate in households with annual incomes below $5,000 is 78.9%, rising to 99.3% in households with annual incomes above $75,000. *Id.*, Table 4.

I believe a large number of the 5 to 6 million households that do not currently have phone service, do indeed want phone service and can afford the discounted Lifeline monthly charges on a going-forward basis. However, these customers cannot be connected to the network because they have previously had phone service, lost it for non-payment of local and/or long distance charges, and cannot afford payment of the unpaid balance. In short, the outstanding balances from previous phone service for these low-income customers stand as a barrier to these customers reconnecting to the telephone network.

In taking further action on modifying the Lifeline and Link-Up programs, I urge the Commission to solicit data from interested parties to document the number of customers that remain disconnected because of prior balances, and the number of qualifying Lifeline and Link-Up customers who are precluded from obtaining service because of outstanding balances for local and/or long distance service. The Commission should also investigate whether changes can be made to the Link-Up program to address these prior balances for local and/or long distance service.[5] Such changes could include reconnection upon agreement by the qualifying customer to pay off the outstanding balances over a period of months – for example, six months or twelve months – in equal monthly payments. In return, the customer would be provided with Lifeline service with mandatory toll blocking until the past due balance was paid off. The Commission could also invite comment on whether it would be appropriate for the Link-Up program to pay a set percentage of the past outstanding balances for local service, and whether such payments should be contingent on state matching payments.

I applaud the work of the States, the Commission and the Joint Board in attempting to make the Lifeline and Link-Up programs more effective. I sincerely hope that the Recommended Decision which we issue today will move these efforts forward. However, we must never lose sight of the fact that our goal is to connect the unconnected and to keep phone service affordable for everyone. We must continue to search out and eliminate programmatic and structural impediments to greater participation in the telecommunications network by all of our citizens. I believe expanding Lifeline and Link-Up assistance to address the issue of past balances will go a long way toward eliminating a major hurdle faced by low-income customers in attempting to become full participants in our globally connected society.

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[5] I recognize that the Fifth Circuit has previously held that a rule prohibiting disconnections of local service for non-payment of long distance bills exceeded the Commission's jurisdiction, absent additional justification. *Texas Office of Public Utility Counsel v. FCC*, 183 F.3d 393, 424 (5ᵗʰ Cir. 1999). The issue I raise now is the different but related issue of whether the Commission may properly design a program to assist in reconnecting low-income customers to the network. Such a program could involve partnering with States or providing inducements to the States to reconnect such customers.